FEBRUARY / 1957

THE MANAGEMENT REVIEW

THE MONTH'S BEST IN BUSINESS READING . . .

GESTS / FEATURE ARTICLES / BOOK REVIEWS

Special Features:

Executives Wanted: The Managerial Manhunt

Management by Participation: Its Place in Today's Business World

Executive Development, British Style

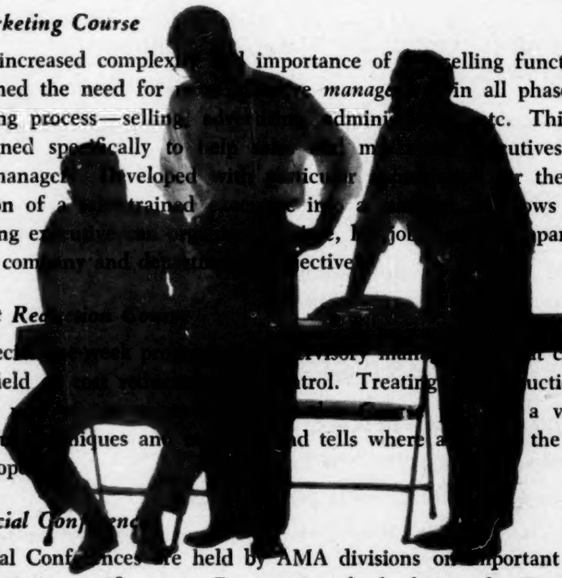
The Anatomy of Business Leadership

AMERICAN MANAGEMENT ASSOCIATION

The AMA Program:
No. 4 of a Series

Knowledge in Depth

For the experienced executive who is anxious to increase and broaden his management knowledge, no matter what his level of responsibility, AMA offers a unique, diversified series of activities:



1. *Marketing Course*

The increased complex[illegible] importance of [illegible]elling function have underlined the need for [illegible] *manag*[illegible] in all phases of the marketing process—sellin[illegible] admini[illegible]tc. This Course is designed sp[illegible]cally to [illegible] m[illegible]utives become better manage[illegible]veloped [illegible] the difficult transition of a [illegible]trained [illegible] in[illegible]ws how the marketing e[illegible] [illegible]partment to achieve com[illegible]ective[illegible]

2. *Cost Re*[illegible]

A spec[illegible] covers the entire field [illegible]trol. Treati[illegible]uction as an integral [illegible] a variety of successf[illegible]iques an[illegible]d tells whe[illegible] the program should op[illegible]

3. *Special Con*[illegible]

Special Conf[illegible]ces [illegible]e held b[illegible] AMA divisions o[illegible]portant new developments in specific areas. Presentations by leading authorities are carefully planned to give a complete picture of the subject covered. Registrants receive a Handbook containing original articles, significant reprints, charts, and graphs that illustrate the presentations—an invaluable reference source available *only* to registrants.

4. *Packaging Clinics*

The purpose of these meetings is to dissect and analyze a special packaging problem, to consider the various approaches to its solution, and to apply the lessons learned from case histories presented by the Clinic leaders. Clinics call upon a wide variety of specialists in the field—men from companies whose successful practices and experience give authority to the presentations. Although subject matter is presented primarily as instruction, registrants are encouraged to participate actively in the discussion.

THE

MANAGEMENT REVIEW

VOLUME XLVI, NO

Contents ■ *February, 1957*

FEATURES

BUSINESS DIGESTS OF THE MONTH

Trends and Perspectives

Management Policy and Practice

page

Operating Guides for Executives

What Others Are Doing

Cover photograph: Black Star

THE MANAGEMENT REVIEW is published monthly by the American Management Association, Inc., at 1515 Broadway, Times Square, New York 36, N. Y. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the act of March 3, 1879. Subscriptions: $7.50 per year (non-members, $12.50). Single copies: $1.00 (non-members, $1.25). Volume XLVI, No. 2, February, 1957.

Changes of address should be forwarded to the publishers *one month in advance*, and postal zone numbers should be included in all addresses.

The object of the publications of the American Management Association, Inc., is to place before the reader ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December issue. The contents are also indexed in the Industrial Arts Index. THE MANAGEMENT REVIEW is microfilmed by University Microfilms, Ann Arbor, Mich.

Business Manners: The New Look

As ANY OLD-TIMER competent to testify will tell you, sometimes nostalgically, business manners in the U.S. are vastly better than they used to be. Some areas of business are still pretty rough and tumble, but so far as corporation life is concerned, business men seem to have developed the capacity to disagree as pleasantly as they agree.

These days, they have to. Certain patterns of courteous and considerate business behavior have grown up that are *de rigeur* the country wide, and it takes an executive of rare genius or prodigious power to ignore them with impunity. However it may be in baseball, in business nice guys finish first—or, at least, guys who seem to be nice.

For all one knows, some of the rituals observed in business intercourse today may have no more substance than that convention of the Middle Ages called Courtly Love. Business men, to be sure, have not yet lost their love of profits, but there is a certain fascination in the formalities preceding the deal, and it does often seem that the ritual is enjoyed for itself.

Take, for example, the method of receiving visitors that many a corporation president practices today. No longer does he merely rise from his chair, shake hands, indicate your chair, and proceed crisply with the business at hand. Instead, he sweeps out from behind his desk and greets you warmly at the threshold of his office. More often than not, he deserts his desk entirely, and pilots you to a nook on the opposite side of the room. As you loll back on a couch, he draws up a chair and begins to talk to you from across a coffee table, and not necessarily, for the moment, about the business at hand. Conceivably this may serve some ulterior purpose, but conceivably it's also a refreshing little break in his own routine.

This is all very charming, but is it practical? Most executives are quick to rationalize their behavior in terms of self-interest and ultimate profits. Good manners, they reflect, constitute a necessary lubricant to business.

It is the topmost officers who are usually most meticulous about their manners, and most prodigal with their time for the sake of the amenities. Nearly 40 per cent of some 150 company presidents interviewed for this report claimed they answer their own telephones without any screening whatsoever.

Perhaps the severest test of business manners is occasioned by the appearance of unscheduled visitors. Is it not, to begin with, a breach of etiquette to present oneself in the office of an important executive without an appointment? Maybe so,

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

but the practice is widespread, and executives are remarkably tolerant in their reactions. "Accessibility," or at least the appearance of it, is a fetish among top officers today.

Significantly, the grade-A treatment is not confined to distinguished visitors. In one veteran's opinion, "The major development in business manners in the past quarter-century has been the growth of the idea that a man who is trying to sell you something should be treated courteously." This change was vastly stimulated by conditions during World War II, when many salesmen suddenly became suppliers of critical materials, and it was good business to coddle them.

When one turns from the treatment of outsiders to the broad field of intramural office manners, there are a few interesting and relatively new points of protocol that bear reporting. Office manners are both more considerate and more democratic than they used to be, and, as in the case of external or public relations, the burden of performance is on the president. He must make the same show of accessibility to his employees as he does to his customers, and to this end there has been established the shibboleth of the "open door." A bookkeeper, a draftsman, or a correspondence clerk can shut his door, if he has one, to the noise and traffic of the office, but not the president or the chief of an important department.

As a symbol, the boss's open door may score a point, but that it actually aids communication or raises the general level of manners is rather dubious. Do the employees really come streaming through that open door? "Thank God, no," is probably what most bosses would say in the moment of truth.

More to the point is the manner in which the boss approaches or summons his subordinates, and here there has been a creditable advance in democracy and gentility. The cryptic command, submitted through a secretary, is less and less in favor. And ditto with buzzer systems. The preferred method is to telephone the subordinate in person, invite, not order, him to drop by, and explain at least in general terms the reason for the conference.

When it comes to the use of first names in business, the old standards have been rudely shattered, though no conscious discourtesy has been involved in the process. Of the 150 business men queried for this article, 85 per cent could be said to operate on a first-name basis, and the list seems to cut across all regions and all types of businesses and industries.

Now, if the burden of this reportage on the manners of modern American business men seems too good to be true, readers are entitled to take a small discount. Obviously, in answering a query on good manners, most men are under a compulsion to muster their own best manners and temper their views with charity. Nevertheless, the consensus was remarkable, and such dissent as was expressed was not from the finding that good manners prevail, but was concerned with the danger of overdoing the thing.

Said a utility-company president of a neighboring oil company notable for its *politesse,* "For my money, they are too bloody servile. They act like an overanxious shopgirl trying to make a sale." And there was the Chicago banker who said, "I'm afraid most of us conform too much. We run the chance that we'll all be mice, and there'll be no rats to lead us." Perhaps the spirit of the American Tobacco Co.'s late George Washington Hill, who always wore his hat in the office and liked to hurl flowerpots on the floor for emphasis, will yet rise again.

■ *Robert Sheehan.*
FORTUNE, *January, 1957, p. 106:5.*

The Case of the Unpromotable Executive

CORPORATE MANAGERS are constantly moving around or looking for a niche within the particular corporate structure where they work. There are some who don't try very hard to move up much higher than they are, but, by and large, almost all of them look hopefully to a higher position on the management pyramid. The cult of success, which demands large financial and prestige rewards, makes men aim for something higher—or, at least, makes them feel they should be aiming higher. And top management, in its eager search for bright, able talent to fill key positions, exhorts all its executives to aim at the peaks.

Yet, the plain fact is that, no matter how hard they try or how much they improve through experience or training programs, the bulk of middle-management men never are going to rise much above their present levels. There just isn't enough room for all of them at the top. And the wide gap between espoused goals and actuality could be a sore spot that company management is letting go unrecognized.

Management has been concerned almost entirely with ways of spotting individuals who will succeed—those who, through ability, personality, and aggressiveness, will ascend the hierarchical ladder into top positions. But at the same time it has submerged the other problem: How do you handle the men who don't have quite enough on the ball? How does a company motivate and satisfy management men whom it has encouraged to reach for the top while knowing full well most of them won't make it?

Though a number of companies are making a stab at coming up with a solution through social science and motivation studies, they admit they are still operating pretty much in the dark.

According to most companies, management men with promotional problems tend to fall into four groups:

1. Men relatively satisfied where they are, who don't want promotions involving new responsibilities.

2. Managers, highly effective in their present jobs, who would be over their heads in bigger, tougher jobs.

3. Men with more ambition than ability, who continually strive for jobs way above their capabilities.

4. Men who have already been promoted beyond their capabilities.

Here's how some companies are trying to handle these four variations of the promotion problem:

Men who don't want a promotion puzzle top brass, but are left pretty much alone.

The valuable manager who just can't quite cut it another notch higher, but wants some form of advancement or recognition, is handled in a number of ways. Management training courses and rotation to other fields are two of the most popular. In this way, it is hoped the man will broaden, develop into a better manager—or at least be distracted from his problem. Another tactic in these cases is a hike in salary. "Enmesh them in a net of dollar signs," recommends a Detroit manufacturer.

A smaller Midwest metal fabricator solves the problem by giving the unpromotable manager a special staff position so that he is in a kingdom of his own, maintains status, and still contributes his valuable services. At the same time, he doesn't fill up a spot that could be used to train a man of greater potential.

The men with more ambition than ability tend to get the shortest shrift from top management. "I can't abide them," admits the head of a leading machine tool company. In his company, he says, such men—if young enough—are encouraged to try their wings elsewhere.

But a president inherits a lot of the men he works with from his predecessor. When the overly ambitious men are older, some companies try shifting them laterally. But this can be expensive if they make mistakes. One utility chief puts these men into a staff job "where they can't foul up the company." If old enough, these men are pensioned off early—"bribed out of the company."

Executives already promoted out of their depth are a special danger, because they are a constant source of irritation and frustration to more able men below and around them. Usually such men know they are fumbling. An auto manufacturer reports they are relieved when told the company still wants them—in another job—and that they won't land on the street if they do their best.

Although most companies agree that a man should be told he has gone about as far as he can go, very few actually follow that policy; it's a very difficult interview to carry off. When it is done, usually it's conducted in the office. But the president of an Ohio company who has the unhappy chore of breaking the news takes the man out of the office atmosphere. With a martini as anesthetic, he can talk on a man-to-man basis rather than on a president-to-subordinate level.

■ BUSINESS WEEK, *September 15, 1956, p. 77:4.*

THERE ARE TWO DAYS about which no one should ever worry: yesterday and tomorrow.

—Norman Vincent Peale

The World's Richest Customer

THE AMERICAN CONSUMER might be surprised to discover he is worth, in aggregate, close to a trillion dollars.

Who is this wealthiest man in the world? What are some of his habits? How has he been enjoying his most prosperous year?

To begin with, in many cases he isn't doing the spending at all. In nearly two-fifths of American homes, the wife holds the purse strings and pays the bills. Furthermore, she accounts for 60 per cent of all personal-consumption expenditures.

Every day, consumers light up more than a billion cigarettes. They dial 51 million phones more than three times a day. In nearly 50 million separate households, they spend $500 million a year on the care of 22.5 million dogs, some $60 million to feed the parakeets among their 19 million pet birds.

They enjoy 40 million TV sets, 7.1 million of which were bought this year. They own 50 million cars and drive them far enough in a year to cross the country 175 million times.

To toast the good times, in 1956 they raised glasses filled with $45 million of champagne.

But consumers are paying higher prices for their luxuries—and their necessities. A Colorado doctor looked over his records last week and reported these price hikes since 1946: House calls, up from $3 to $5; tonsillectomy, up from $25 to $35; Caesarean section, up from $110 to $150. Only unchanged charge: Gall bladder removed ($150). "That was considered more of an operation in 1946 than it is now."

—*Newsweek* 11/17/56

Getting the Lowdown on Worker Morale

COMPANIES WITH LABOR TURNOVER PROBLEMS might take a look at how Garrett Corp. (Los Angeles) has solved theirs, suggests *The Iron Age*. Garrett regards its annual employee opinion survey as the main reason why its manufacturing labor turnover is only 1.3 per cent as opposed to the 3.5 per cent national average. The company has been conducting this annual poll of their 10,000 workers for 10 years now, and finds it a valuable aid in pinpointing sore spots in employee relations.

Here are some typical questions asked in the survey: (1) How are the physical working conditions in your department? (2) Like the way your supervisor handles his job? (3) Like the company's personnel plans and policies: sick leaves, vacation, paid holidays, etc.? (4) Satisfied with your merit reviews for salary adjustments?

Every employee gets a questionnaire at his home and returns it, without his name, to an outside consulting firm. This protects him and makes him feel free to speak his mind. All management sees is a rundown of the results.

Employment on Merit: The Continuing Challenge to Business

RATIONALIZATIONS about racial prejudice are very flexible and adaptable. Business men, for instance, can be persuaded that the breaking of race barriers is a dangerous practice for business. And it sounds like a good argument—even a very hard-headed and practical one.

However, we have always had people who understood the corrosive effects of prejudice upon the life and spirit of our country and who tried to do something about it. In recent years, for example, the employment picture for Negroes has improved, particularly as the result of manpower shortages during World War II and the enlightened employment practices of many large industrial companies and other business establishments.

But we have made only a bare beginning; too many employers still hire no Negroes at all, or employ them only in the menial jobs which have always been their lot.

Because our economy is pretty healthy right now, the main problem is not so much that of giving Negroes employment as that of giving them *good* employment—the same kind which is available to a white man of similar ability. Significantly, although the proportion of jobholders among the Negro population is higher than it is among whites, the average Negro family earns only a little more than half as much as the average white family. Good jobs must be made available to average Negroes in the same ratio they are available to average whites. Only then will we have good grounds for claiming that Negroes really do have equal economic opportunity.

Just what has the major social problem of race discrimination got to do with our businesses, which have their hands full just making a good product and a good profit?

For one thing, we're living in an age when it's no longer possible to separate economic considerations from those which are social or political. Whatever weakens or threatens our total democratic system is likewise a threat to business. The discrepancy between our preachings of equality and our actual practice of discrimination toward Negro citizens weakens our moral fiber here at home and makes us particularly vulnerable to the attacks of those overseas who are engaged with us in a battle of ideologies.

Improving the Negro's economic lot will help reduce the high price we pay for slum-bred crime and disease. The Negro, as a consumer, could represent a huge new market for business if his earnings compared with those of white workers.

It is important, too, that we should not waste human ability, whether it belongs to a Negro or a white man. At a time when our country desperately needs more engineers, doctors, and professional and white-collar people of all kinds, it is more than

unwise not to develop and utilize all the basic human talent which is available.

Basic ability must naturally be trained before it can be fully utilized. The Negro will be better able to afford education as his economic condition improves—but right now there are opportunities for training Negroes in trades, for production jobs, and for office positions.

Perhaps then, the business man is willing to concede it's good business sense to get involved with a social problem which is doing some harm to his country and to the business system which is his bread and butter. But he still has a very large "Yes, but—!" when he thinks of actually bringing a Negro into his office or shop to do skilled work formerly the exclusive property of his white employees.

He may feel that giving Negroes skilled work doesn't jibe with community tradition, or that white employees might make trouble. Maybe he's right—there could be obstacles. But he might also remember that our industrial growth, of which he is so proud, was created out of courage, leadership, and vision in the face of very real obstacles.

Then again, this particular business man may be afraid that Negroes are second-rate workers. Maybe he ought to be reminded that good business men don't come up with answers to business problems on the basis of what they hear. Instead, they dig out the facts—all of them—for themselves.

We dug out the facts for ourselves at Pitney-Bowes, and like most other companies which have embarked on a program of employing Negroes for skilled work, we found the facts weren't at all as commonly represented.

Some of our Negro employees have disappointed us—but so have an equal ratio of white employees. Some have turned out to be distinctly superior, perhaps because their need to succeed is stronger than that of most whites. But more significant than the failures and the standouts are the great majority who have, over the long pull, done a good, conscientious, effective job for us, just like other employees.

Regardless of the material or social gains to be realized from providing equal economic opportunity for Negroes, there is really only one impelling and unanswerable argument in its behalf for any human—any business man—who honestly believes in the teachings of the Christian or Jewish religions. These religions are the strongholds of the philosophical idea of brotherhood among men—not the destructively leveling "brotherhood" of collectivism, but the kinship in love and hope of those who worship God. All arguments against discrimination must have their roots in religion if they are to furnish convincing answers to the "Why?" of the biased and to sustain the purpose of the unbiased.

The great Negro educator, Dr. Channing Tobias, made his plea for human understanding toward his own people in this way. He said, "To deny a man rights and privileges because he is as God made him is a sin—a sin not only against the man himself,

but against Almighty God, who made him as he is. In fact, it places the complainant in the position of saying to God, 'O God, you made a mistake when you made this man as he is.' Who among us is willing to take the responsibility for making such a statement?"

■ *From an address by Joseph J. Morrow (Director of Personnel Relations, Pitney-Bowes, Inc.) before a meeting of Indianapolis business men.*

Achieving Profit Objectives Through Reports

EVEN IN LARGE COMPANIES, the responsibility for profit is rarely spelled out and assigned to specific individuals.

When the responsibility for profit has not been placed, failure to operate profitably is usually explained by the sales manager as the fault of the factory, and by the production manager as the fault of sales. Passing the blame for failure back and forth over the fence which divides these two areas of operation will stop only when top management appoints as arbiter an individual in whom, at the same time, it places responsibility for profit.

In keeping with this thinking, it was decided some years ago at Armstrong Cork Co. that divisional managers should be selected for each major market which our company serves. These divisional managers were given responsibility for the production and sale of all products falling within their respective market areas.

The ability to insure that profit objectives are attained depends in no small part upon the clarity and intelligence with which the accountant's reports are prepared. Properly developed, these reports will focus management's attention on performance in the operational areas where responsibility for the achievement of the planned profit objective is delegated.

Our reports are designed on the principle that if program objectives are to be achieved, a continuing evaluation of actual versus scheduled results is a "must." Such evaluation requires a reporting system designed to integrate sales and production efforts toward the common goal of an adequate return on the funds invested in the business.

This integrated reporting system recognizes four factors as essential guiding principles. The first of these relates to properly organized management. In order for any reporting system to be effective, the organization which it serves must be aligned to provide full placement of responsibility for performance against the profit objective.

The second factor requires that the accounting techniques be soundly conceived. We use the direct costing technique, which—besides emphasiz-

ing the relationship of profits to sales volume—provides the advantage of recording profits which reflect liquid funds available for use, since profits are geared to sales volume and are relatively unaffected by production volume.

Third, it is necessary to have an effective index for measuring the adequacy of profits. We use the return-on-investment yardstick, measuring the adequacy of profits by their relationship to the capital employed in the business.

Fourth is the dovetailing of information, which might be referred to as integrated data. The system must provide reports which are integrated with the profit objective and with each other. We refer to the plans by which the profit objective is formulated as the "forecast." All reports are designed to show performance against this forecast. In addition, the actual operating results and deviations from the forecast, shown on the profit statement, can be readily traced to the subordinate operating reports.

The reports against the forecast are designed to emphasize the effectiveness of selling effort, the control over operating costs, and the management of capital.

Profit statements are developed for each product line on a *pro forma* basis, similar to those which would exist if each unit were operated as an independent business. The profit statement is the only report on this commodity received by the vice president of the division. A complete summary of operations, it serves as the principal medium by which he can apply coordinated direction to the business.

In addition to general management, each plant manager and each sales manager receives this sales and profits report for the product lines with which his activities are associated.

The ultimate measuring stick of profits in our system is the return on capital employed. Therefore, along with the sales and cost factors, it is equally important that the reporting system supply information pertinent to intelligent management of capital. Like the profit statement, the report on capital employed is distributed to each sales and plant manager for the commodities with which he is associated. Also like the profit statement, its primary purpose is to supply information which will generate cooperative action. Items such as stockholders' equity, surplus, and certain liabilities are identifiable only with the company or division enterprise, precluding the preparation of a formal commodity balance sheet.

Through this report, plant and sales management become aware of the importance of fixed capital invested in plant and equipment and can evaluate the probable effect of planned additions to investment on profits, as expressed by the return on capital. In order to obtain profit perspective, reduced turnover is correlated with increased profits on sales if the investment contemplates cost reduction, and increased turnover is correlated with existing margin on sales if the investment is predicated on expanded sales volume. Briefly, this report gives an insight into the components

of capital on which the adequacy of profits are gauged, and thereby activates management control.

The importance of control data which can be effectively utilized by the lower echelons of management must not be overlooked; such data and supplementary reports in the form considered most usable are an integral part of this system. But it is more important that the summary of lower-echelon activities should be presented to the decision-making element of management, with emphasis on the profit motive so necessary to healthy continuity of the business.

■ *From an address by Frederick J. Muth before the National Society for Business Budgeting.*

How Industry Is Combating Absenteeism

BETTER SUPERVISION is the answer to the problems of absenteeism and tardiness, in the opinion of the majority of executives responding to a recent survey conducted by *American Business* magazine.

Asked to give what they consider to be the major causes of absenteeism and tardiness, most of the 98 respondents listed sickness (80 per cent), "imagined sickness" (70 per cent), home problems (65 per cent), and a "don't care" attitude (35 per cent). Other causes mentioned included poor supervision, transportation difficulties, accidents, drinking, weather conditions, and personal business. The absence rates of men and women are about the same, in the opinion of 30 per cent of the executives polled; 62 per cent thought the women's rate was higher. Replies indicate a prevailing belief that 11 per cent of the employees are responsible for most of the absence rate.

An absentee percentage of 3 to 3½ per cent is about par for the course, but, as one respondent indicated, "any business having more than 2 per cent absenteeism during a given month needs to do something about it." Among the solutions suggested, a positive approach—appealing to the employee's sense of fair play, stressing his importance to the work group, his chances of advancement and higher pay—was favored by 80 per cent of the respondents. The trend toward incentives to be on the job regularly and on time seems to be growing, and less reliance is being placed on rules and threats of discipline.

Better supervision is the key to reducing absenteeism, according to 55 per cent of the respondents. Many felt that, if the employee's immediate supervisor seeks and finds patterns to absenteeism, he will be getting closer to real causes. (One employee may be consistently absent on the days a type of work he dislikes is scheduled, for example. Drinkers may be absent on Mondays, women on special shopping days, and so forth.) Once the real reason is determined, in the view of these executives, the appropriate remedy can be determined.

—*American Business* 10/56

Is the Boom Slowing Down?

THE POSTWAR BOOM—from the start—has rested on the following three major forces:

1. The unprecedented consumer demand for goods of every description, notably durable consumer goods, built up first during the depression and then during the period of war shortages.

2. The unprecedented demand for producers' goods—new plants, equipment and inventory—resulting from the interruption of normal expansion for 15 years by the succession of depression, war preparations, and finally the war. The Korean War brought further complications.

3. The enforced continuation of a high level of defense expenditures.

To be sure, there were shifts, maladjustments, and corrections within each of the three sectors of strength—but it was not until 1953-54 that one of these factors started to show any real signs of weakening. Consumer goods production then showed signs of catching up with shortages.

Instead of accepting this as a temporary slowdown or a period of consolidation, the economy embarked on an all-out attempt to overcome it by an unparalleled use of credit. The result was the super-boom of 1955, which finally had to be curbed to prevent inflationary excesses.

When it became apparent that we had gone about as far as we safely could in the stimulation of the consumer goods industries through the use of credit, the producers' goods boom blossomed out in renewed strength.

But what is frequently overlooked in the present situation is this: The current acceleration in plant and equipment spending, plus the continued build-up in inventories, barely maintained the level of industrial production throughout the year. This still does not add up to imminent trouble of serious character; but it does demonstrate that, for the time being at least, one of the three major legs of the postwar boom—consumer demand—has been weakened.

That puts the spotlight all the more on the prospect for business spending. The capital investment boom thus far does not show any signs of slackening. Capital spending is running at a record annual rate of close to $38 billion, and, despite tight money and the appearance of a number of soft spots in the economy, cancellations of prior appropriations for capital outlays during the first half of 1956 amounted to only $200 million. The basic factors behind this boom are obvious: shortages, and the need for more efficient production in order to keep up with the progressive cost-squeeze. And yet, despite the acceleration in economic growth widely predicted for the sixties, the next few years may witness the development of temporary over-capacity.

The latest acceleration in the rate

of capital spending came in the face of a noticeable leveling off in retail sales. A pattern like this, in the past, has usually marked the peak of a cycle, because it brought the existence of temporary over-capacity into plain view. The selection of "growth" stocks is rapidly becoming more complicated, since some industries obviously will reach the stage of temporary over-capacity more quickly than others and stay there for longer periods.

Inventory spending involves smaller amounts than investment spending, but it is far more vulnerable to changes in direction from accumulation to liquidation and back again.

There can no longer be any doubt that the price level is in the process of being raised a notch. As yet, however, there is no evidence that purchasing agents are stepping up their purchases of materials in anticipation of price increases. On the contrary, purchasing agents are aiming at bringing about still better balance of inventories and production schedules and also a better balance within their inventory. Unless there is an early pickup in industrial production, this should soon bring about some reduction in inventories. Should further increases in inventories of finished goods develop as the result of miscalculations in sales prospects, additional purchases for inventory would be even less popular.

Thus, the current boom can hardly look to continued inventory accumulation for support. Inventories are more likely to develop into a moderate drag on industrial activity.

Unless the momentum of the capitals goods boom is upset, however, nothing points to an imminent, violent end of the boom. On the other hand, evidence leads to the conclusion that the boom is gradually weakening. It would probably require a shock treatment to throw it into high gear once again—and the most likely shock treatment would be another shot of inflation.

This spotlights the question of whether current money and credit policies can undermine the boom to the point of throwing the economy into a tailspin. The answer to that question is categorically *no*—if for no other reason than that no government would sit idly by and see the boom destroyed. Once it is demonstrated that inflation and speculation have been successfully eliminated as immediate dangers and that the economy is actually developing a pronounced downdrag, credit will be made easier as a matter of course.

Thus, the key economic issue of tomorrow will be inflation. It is utterly unrealistic to assume that we can avoid it or indefinitely control it—and sooner or later we shall have to deal with it.

■ *From an address by H. E. Luedicke before the Trust Division of the New York State Bankers Association.*

I ATTRIBUTE the little I know to my not having been ashamed to ask for information, and to my rule of conversing with all descriptions of men on those topics that form their own peculiar professions and pursuits.
—Locke

The New American Worker: Some Facts and Figures

FROM CORPORATION EXECUTIVE to farm laborer, today's American work force represents a provocative and concrete expression of our economy's dynamic changes through the past quarter-century.

The average American, despite the steep rise in prices, could buy almost 53 per cent more in 1955 than in 1929. Family income has more than tripled since 1918. The average worker today has 15 to 20 hours more leisure time per week. Coverage under pension and welfare programs has increased 20-fold in the past 10 years.

These and hundreds of additional facts emerge from a comprehensive study of our national workforce recently issued by the U.S. Department of Labor. Here are the highlights:

Economic status. The average factory worker is now better off, in terms of weekly earnings, than at any time in the history of the United States—and his progress shows no signs of coming to a halt.

Total disposable personal income in the United States—what's left after Uncle Sam takes his slice—came to $269.2 billion in 1955. The figure for 1947 was $169 billion; for 1929, $83.1 billion. Divided equally among the population, the 1929 income would have given each person $682; for 1947, the amount would have been $1,173; and for 1955, $1,629. After adjusting the figures to the rise in consumer prices, we find that the average person in 1955 could buy almost 16 per cent more goods and services than in 1947, and almost 53 per cent more than in 1929.

Education and skills. In all sectors, the educational level of our work force is rising rapidly. More than 75 per cent of professional and kindred workers have some college education; more than half have completed college. Of sales and clerical workers, more than half have finished high school, and almost one-third have some college education.

Since 1910, the occupational distribution of the labor force has shown a marked change. The proportion of farmers in 1950 was less than half that in 1910. Under the impetus of mechanization, much unskilled labor has joined the ranks of the semi-skilled. The semi-skilled factory worker group has expanded by 50 per cent, and the clerical and sales group has doubled.

Fringe benefits. Before World War II, the main issue at the bargaining table was increased wages. Since the end of the war, the significance of fringe benefits, as a factor in compensation, has increased every year. As a result, over a period of less than ten years, the number of workers covered by such programs as health and life insurance and pension plans has increased more than 20-fold. These supplements, including employers'

contributions to Social Security, came close to $13 billion in 1955, or about 6 per cent of total employee compensation. The figure was about 1 per cent in 1929—and that was mostly for injuries.

Fewer work years. Compared to 50 years ago, more people enter the labor force at a later age, more retire earlier, and more live longer after retirement. The trend, over the years, has been toward the worker spending less of his life-span in working time.

The chief reasons for earlier retirement include the reluctance of employers to hire older persons, compulsory retirement, and increased Social Security benefits.

Physical health improvements have also contributed to increased retirement time. According to average figures available, in 1900 a man of 20 could expect to live 42 more years, the last three in retirement. In 1950, the same man could expect to live 49 more years and spend the last six in retirement.

This increase in the older-age group, both in numbers and as a percentage of the population, constitutes a growing problem. In 1900, there were some 13 million persons 45 or over; in 1950, almost 43 million; and in 1975, if the present rate continues, there will be nearly 65 million. But job openings for older persons have not kept pace with this substantial increase. Despite growing attention to the problem, the fact is that even middle-aged persons have difficulty finding employment today.

Worker productivity. Measured in dollars of the same purchasing power, the nation's annual output of goods and services has doubled in the past 25 years. But employment was up only 36 per cent, and the average work week dropped from 44 to 40 hours. The production increase has thus been due mainly to increased real output per man-hour.

Thus, on every front, the American work force has increasingly shared our economic growth. But concealed in this record of rising averages are problems that this very growth may well accentuate. For instance, there is the danger that growing demands for higher skills may limit the utility of older workers and shunt aside those unfitted, whether by education, nature, or experience, to master newer techniques. On the other hand, the use of such skills as demanded by more automation and improved industrial techniques may not offer sufficient creative challenge to workers of a higher educational level. Such problems of human nature are bound to persist. A rising productivity index alone is not the answer. To insure the worker of tomorrow satisfactions beyond those found in a fatter payroll will be our society's toughest challenge and responsibility.

■ *Grover Amen.*
DUN'S REVIEW AND MODERN INDUSTRY, *December, 1956, p. 53:3.*

SUCCESS shuns the unworthy, the unwilling, and the unprepared.
—*Fraternal Monitor*

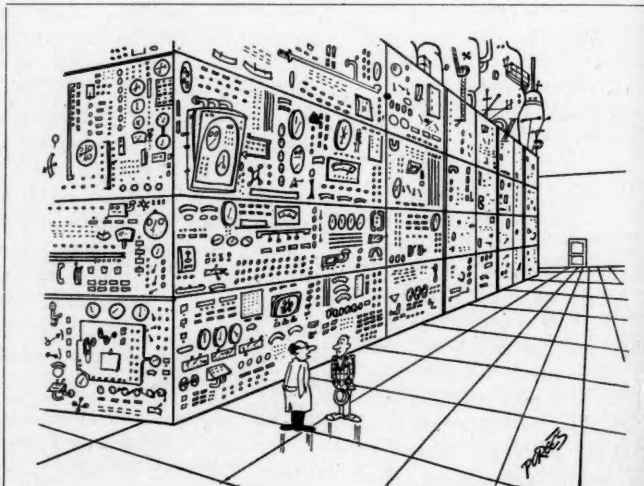
Unions Join the Back-to-School Movement

MORE UNIONISTS are receiving some form of formalized instruction than ever before, through their unions or through special workshops and seminars at universities. Employers can readily mark the results of this rising trend in their own plants, usually with some satisfaction. Union negotiators who have attended summer sessions often show more savvy; bargaining is smoother. Some employers have even footed the bill for stewards and union officers, and one upstate New York employer sent a management group and a union group together to a summer seminar.

Currently some 80 colleges or universities offer some kind of educational program for workers, run in cooperation with unions. At least 18 have year-round schedules of instruction for labor groups. Academicians responsible for these programs comment, sometimes almost unbelievingly, on the rate at which they are snowballing.

Rank-and-filers, for the most part, learn how to use basic tools—grievance processing, problems of organizing, parliamentary procedure, and the like. For staff members of international unions and higher ranking officers, the scope of inquiry is broader, including the intricacies of local and national politics, psychology, and sociology.

—*Business Week* 8/4/56



"Did you ever handle one of these before?"

Where Marketing Plans Go Wrong

Because every facet of our economy is in a state of flux, the American consumer is more flexible and receptive to change than ever before. Every business is vulnerable to competitive inroads as buyers shift their allegiance to better or more attractive products.

Vulnerability is further intensified by powerful mass media which can quickly spread the news of product innovations. Many new products—such as frozen juice concentrates, detergents, and chlorophyll products—have grown to major importance within a few short years, and generally at the expense of old, established products.

A look at the consumer sales trends of two groups of selected food commodities is revealing. One group—commodities which have not had any significant new product development in the past ten years—have expanded their sales 10 per cent in the past eight years. The second group—commodities which have had real product development—gained 513 per cent in sales.

Even within product groups, we have seen new leaders developed—in a group of 100 food and drug commodities, three out of every ten leading brands have been knocked out of first position in the last ten years by new brands.

In the years ahead, the marketing executive will find, typically, that his product will have fewer demonstrable advantages over others, and even these advantages will be short-lived, because of the speed with which his competitors will change and imitate. Moreover, an account of uniform production costs, he will have fewer price advantages.

So long as we have personal judgment entering into marketing decisions, we will have different ideas as to how a product should be sold. And as there will always be one way better than the others, we will always have errors in marketing. But much can be learned from the errors of others. It might be useful for any marketing executive to study these 11 most common marketing errors in business today:

1. *Failure to keep product up-to-date.* The most important lesson we have seen repeated year after year is the necessity of having a modern product suited to the needs of the market. In many cases, the market leadership has been lost because of a reluctance to change the product quickly after customers had clearly indicated preference for another brand.

2. *Failure to accurately estimate the market potential.* When entering a new market, there is a natural tendency to overstate the ultimate amount of business which can be achieved. Conversely, many underestimate their sales potential. In this case, there is a real danger that an originator's market will be stolen away from him by an aggressive competitor who correctly judges the potential

market and makes his sales efforts on a larger scale.

3. *Failure to gauge the trend of the market.* Obviously, if the potential market is changing in size, upward or downward adjustments may have to be made in the marketing program.

4. *Failure to appreciate regional differences in market potential and in trend of market.* This is a vast and complex country—you need detailed information from various types of market breakdowns, if you are to distribute sales and advertising efforts on a sound basis.

5. *Failure to base the advertising budget on the job to be done.* Too many manufacturers appear to be using some historic formula for establishing their advertising budgets—such as a certain percentage of sales. Today, any company which continues to base its advertising budget upon sales performance alone is asking for trouble. When sales go down, for example, this formula would call for a reduction in advertising expenditures. It would seem wiser to maintain advertising support and forego profits temporarily, if need be, until the basic cause for the sales decline can be determined and corrected. Otherwise, the brand's standing may decline to a point where far larger expenditures will be needed to recapture the market—if it can be recaptured at all!

6. *Failure to adhere to long-range marketing policies.* Once a goal has been set, there is a great temptation to shift policies whenever minor setbacks occur. Today's marketing executive must school himself in patience and allow ample time for significant trend to develop.

7. *Failure to differentiate between short-term tactics and long-range strategy.* There has been a tremendous increase in both the number and frequency of special sales promotions in recent years. While these promotions have their place in achieving limited objectives, some marketing people have a tendency to rely on them to achieve long-range goals as well. But sales gains from special promotions are only temporary, and the brand's share of the market usually returns to its former level.

8. *Failure to admit defeat.* None of us like to see our creations classed as failures—whether it be a product idea or a sales technique. But once we've been proven wrong by the vote of the consumer, we should face up to it, learn from our errors, and not be afraid to change.

9. *Failure to try new ideas while a brand is climbing.* There is a good deal of reluctance to change a winner. Yet a new package, a new design, or a change in product formula might easily accelerate the brand's sales progress.

10. *Failure to integrate all phases of the marketing operation.* No one phase of the marketing operation can be relied upon to carry the ball for the product. When specific moves are contemplated, big dividends can often be earned by giving consideration at the same time to the many other phases of the marketing program, such as quality of the product, type of product, and its packaging and distribution.

11. *Failure to appraise objectively your competitor's brands and your own.* It's the easiest thing in the world to underestimate the resources and ingenuity of your competitors, while at the same time overestimating the position or reputation of your own brand.

■ *From an address by A. C. Nielsen, Jr. (Executive Vice President, A. C. Nielsen Co.) before the Association of National Advertisers, Inc.*

Three Dangerous Fallacies About Automation

THE LARGE AMOUNT of nonsense written and spoken about automation has given credence to three major misconceptions which could seriously impair the success of what is actually a technical, sociological and marketing evolution. These three dangerous fallacies are: (1) Automation is too complex for smaller companies; (2) automation will force technological unemployment; and (3) automation is a technical, not a marketing evolution.

Many people fail to understand the significance of automation because they don't know why it has entered their lives. The technical principles of automation have been known, in theory, at least, for several decades. But not until now have economic and sociological conditions been right for putting the principles into practice.

What are these conditions?

The first one is the level of costs and profits. In 1950—a fair year—net manufacturing profits after taxes were 7.1 per cent of sales and 15.4 per cent of net worth. In 1955, a sensationally good year, net profits were 6.7 per cent of sales and 15 per cent of net worth. Costs are steadily rising, profits dropping over the long pull. Automation will help reverse that trend.

The second condition is the need for greater productivity to keep our rate of improvement in living standards going up steadily. Our rate of increase in productivity has been declining since 1919, according to figures developed by the Bureau of Labor Statistics. In manufacturing, the average annual gain from 1919 to 1929 was 5.3 per cent, while from 1947 to 1953 it was only 3.4 per cent.

Some experts believe that in the next 20 years we must show an average annual increase in output per man-hour of at least 3.5 per cent if we are to supply the growing demands of a growing population. It is estimated that at this rate of increase the average worker in 1975 will be producing $8,015 in goods and services (he produced $4,452 in 1940 and $2,612 in 1900). Automation is one answer to this need for greater productivity.

Many labor leaders genuinely fear that automation will cut employment, and it is true that it can displace workers temporarily. But the completely automatic factory is a myth. Fred Crawford, chairman of Thomp-

son Products, Inc., recalls that in 1918 his company had 200 workers. For 38 years it has been buying all the labor-saving machinery it could lay its hands on. Today, Thompson employs 21,000.

Of 13 automated plants studied in one recent survey, 12 have higher employment than before the change—usually because the plant has more business than formerly.

The worker isn't the only one who must defeat the automation bogeyman. Some management men have their fears, too. One automotive company reports tough sledding in its recent efforts to persuade some of its suppliers to automate. "They claim it's too expensive, or they haven't the engineering to cope with it, or they need a three- or four-year guarantee of our business."

This last, an assured market, is the hard core of management's fear. It serves to emphasize a tremendously important prerequisite for successful automation: a predictable, stable and expanding market. Economic and sociological pressures have forced automation on us; automation is forcing new marketing concepts on us. As economist Peter Drucker points out, to apply automation to the manufacture of kitchen appliances, such as ranges, dishwashers, and automatic washing machines, would require an organized market for second-hand appliances. It might even be necessary for the manufacturer to stop selling appliances entirely. He might have to sell the housewife a five-year service policy, with the appliances on loan or at a nominal rent. At the end of five years, they would be replaced by new appliances, making possible a predictable production schedule.

Fantastic? Management at GM's Frigidaire Division has been toying with just such notions.

Management must learn more about automation. P. H. Alspach, manager of General Electric's Equipment Development Laboratory, Manufacturing Services, says: "Today, the challenge of automation has shifted from the manufacturing area into the management area." He and a few others like him in industry have a new assignment: selling middle management in their own companies on the need for automation and analyzing how various management job functions will change under its impact.

The common complaint that automation is only for big companies is disproved by the experience of small firms like Lee Silver Service Co., a Detroit plating job shop. Lee Radke, its president, started automating five years ago with the purchase of 60 feet of conveyor belting, and he has been automating his plating lines ever since. Five years ago, the 40-man company had sales of $500,000. Mr. Radke employs 295 now and grossed $5.5 million last year.

Technical problems in automation remain, but they're being solved. It is the human and managerial difficulties that continue to plague us. Failure to dispel them will mean that automation is truly a bogeyman. Success in resolving them will mean automation can bring a bonanza to our economy.

■ STEEL, *October 15, 1956, p. 109:8.*

Wages Keep Pace—and Then Some

THE AVERAGE U.S. PRODUCTION WORKER in manufacturing doesn't have to work as long as he did five years ago to buy most key consumer items, the National Industrial Conference Board reports. In August, 1956, 12 out of the 16 goods and services charted by the Board cost less in terms of hours of labor than they did in August, 1951, with declines in work-time ranging from 4 per cent for a movie admission to 42 per cent for a pair of nylon stockings.

A worker had to work 30 minutes to buy a dozen eggs in 1951, but only 19 minutes in 1956—a drop of 36 per cent. Similarly, a pound of bacon, down from 26 to 19 minutes, requires 27 per cent less labor today. And to purchase a pound of coffee now takes 31 minutes of work, compared with 33 minutes in the earlier period. Also down in worktime equivalents are a man's suit (from 33 hours and 44 minutes to 24 hours and 38 minutes); a refrigerator (from 149 hours and 53 minutes to 117 hours and 31 minutes); and nylons (from 47 to 27 minutes).

Of the 16 key consumer items, just two require the same amount of worktime today as they did five years ago: bread (6 minutes for a one-pound loaf) and gasoline (9 minutes for a gallon).

Potatoes and haircuts were the only items that showed increases over the five-year period. To buy a 10-pound sack of potatoes, the worker had to work 19 minutes in 1951; now he must work 26 minutes, or 36 per cent longer. A man's haircut is up from 40 to 43 minutes—a rise of 7 per cent.

Getting an Accurate Picture of Employee Relations

A NEW TOOL for measuring the state of a company's employee relations is being developed by General Electric Co. Called the "Employee Relations Index," it is a composite of personnel statistics picked for their bearing on employee attitudes.

Eight factors are used in computing the index: periods of absence, initial visits to the dispensary for occupational reasons, separations from the payroll, grievances, work stoppages, disciplinary suspensions, number of suggestions for operating changes made by employees, and extent of participation in the company insurance plan. Data on these factors are generally available in personnel records, time cards, or other routine sources. These are the jobs the index is supposed to perform:

1. Help local managers evaluate the impact of company policies, operating conditions, etc., on employees.
2. Measure trends in employee relations over a period of time.
3. Suggest areas of possible future trouble.
4. Help managers and foremen supervise more effectively.
5. Help managers control personnel costs.

—*Labor Policy and Practice* (The Bureau of National Affairs, Inc. Washington 7, D.C.) No. 345

Needed: More "Sell" in Employee Communications

A COMPANY MANUFACTURES and distributes not one type of product, but two: the economic product on the one hand, and the social product on the other. We manufacture certain relationships: the relationship between management and employees, between plant and community, between company and government, between supplier and company. Just as we have to merchandise the economic product in order to gain market acceptance, we also have to merchandise our social product.

Most people will agree that our industrial system is superior to our skill in merchandising it. We have great research laboratories working constantly to develop new products. But in the social field the tendency of American industry has generally been to resist new developments.

Consider, for example, the area of job benefits. The fringe benefit package is costing more and more these days. In 1930 it cost industry only about half a million dollars. The best estimate for 1955 is $11 billion.

What are companies getting for this tremendous expenditure? We know they grant benefits, theoretically, to reduce personnel turnover; to build a sense of security, morale and loyalty; to protect the employees; and to remain competitive in tight labor markets. But there is a great deal of doubt among many companies as to whether they achieve these objectives. Twenty-six out of 50 companies in a recent survey said that they do not believe employees realize or appreciate what is being done in the way of job benefits. They take them for granted.

In addition, 19 of these 50 companies said that they do not believe their communications are very effective in putting their story across, or gaining employee understanding. This situation calls for a careful study of communications, and presents a great opportunity to do a better job of merchandising.

One company made a careful study of its whole employee benefit program, including the pension plan, which was paid for entirely out of company funds. They were amazed to discover that 83 per cent of the employees were under the impression that part of the cost of this pension plan was taken out of their wages. Significantly, the survey revealed that employees who knew the facts rated the pension plan highest.

Employee publications are one of the principal channels to the worker's mind. Yet, although interpretation of benefits is one of the problems faced by management today, only 45 out of 100 companies in another survey give emphasis to the interpretation of benefits in their employee publications.

We must help the employee to understand how he can achieve security by explaining how he helps make re-

tirement on pension possible. The company can pay pensions because it is able to meet competition. It can only stay competitive if its employees are productive.

Many manufacturing employees agree that they can do a great deal to help management meet competition. But most of them say there is little communication between management and the rank-and-file worker.

There are four steps which add up to creating a better employee attitude toward cost cutting: (1) Create awareness; (2) get participation; (3) set up realizable goals; and (4) build a sense of reward.

One big company—DuPont—is making extensive use of small discussion groups to get employees to participate and become involved in the problem. These meetings are producing more efficiency, greater participation, and worthwhile suggestions. Improved face-to-face communications have built a better work spirit.

Other communications media are being used by management, such as supervisors' meetings and employee publications. Use of employee letters is on the rise. This form of communication is inexpensive, flexible, and amazingly effective at the grass roots. Plant tours are on the increase, and motion pictures are now used by about 40 of the 50 companies surveyed.

We know from many studies that there are certain road-blocks in the flow of ideas between employees and management. Two of these, which are continually turning up in expressions of employee attitudes, are "You won't share with us," and "You don't care." Where workers feel that management puts efficiency ahead of everything, management faces a roadblock to understanding that can only be overcome by constantly expounding its sales argument to employees through every possible medium.

■ *From an address by Dr. Claude Robinson (President, Opinion Research Corp.) before the seventeenth Personnel Institute of Ohio State University, Columbus, Ohio.*

U. S. Dollars Go Abroad

ALMOST EVERYWHERE in the free world, U.S. capital and know-how are joining up with foreign manpower and materials, and the result is a better life for millions of people. In Saudi Arabia, Arab workers are building a pipeline to tap the Arabian American Oil Co.'s new Safaniya field. Outside Manila, Filipinos are turning out tires in a new Goodyear plant with all the efficiency of their U.S. counterparts. Peruvian workers are manufacturing chemicals at W. R. Grace's Paramonga plant. It all adds up to a giant private Point Four program.

Today the foreign investment pace is quickening, and the benefits to other countries are growing larger. In all, thousands of risk-taking busi-

nesses—ranging from giants like the Arabian American Oil Co. (with a $750 million stake in the Middle East) to a small ink maker (with a $1,750 project in the Netherlands)—had invested a record of $19.2 billion in plant and equipment in foreign countries by the end of last year.

Direct investments were expected to climb another $2 billion in 1956 vs. $1.5 billion in 1955. Last year, Americans earned a record $2.8 billion—almost 15 per cent—on their direct foreign investments.

Despite some lingering and threadbare talk of dollar imperialism, most foreign countries don't begrudge U.S. industry's effort to make a profit. They not only welcome American capital and know-how, they actively solicit them. The Netherlands, Belgium and North Ireland, to mention just three, have set up organizations to hunt the Yankee dollar.

They want the money, of course, because they know it means jobs for their citizens. And U.S. companies abroad deliberately employ as many foreign nationals as possible. National Cash Register has 18,000 persons in its foreign operations; only six are Americans.

The benefits spread far beyond immediate employees. When Sears, Roebuck & Co. opened its first Mexico City store in 1947, its figured it would have to import 70 per cent of the merchandise. Now it actually buys 91 per cent of its supplies in Mexico. Sears taps about 1,300 local sources, some of which the company itself helped set up. Some 600 farmers earn more than $6 million a year providing fruits and vegetables for H. J. Heinz Co.'s canning operation in Leamington, Ontario.

Furthermore, the taxes and royalties American companies pay on the earnings from their foreign investments have brought truly fabulous benefits to some countries. Venezuela, for instance, collects about $500 million a year from foreign oil operations.

American companies operating abroad need healthy, well-trained workers to get their job done. In many cases, that has meant setting up schools and hospitals. But their activities have gone beyond even that. They have built houses, roads, railroads, dams, power stations. They've set up college scholarships, financed research in tropical diseases.

Great as these accomplishments are, many business men say they ought to be greater. Some estimates on the amount of money the U.S. should be investing abroad — both private and public funds — run as high as $10 billion a year.

Whatever the amount needed, there are many observers — and they are staunch free-enterprise advocates — who say private industry can't accomplish the job alone. The reason is that, in undeveloped areas, some vital projects simply won't yield a profit at this stage. Governments must supply "social capital" — money for roads, without which there is no market for automobiles; funds for electric-power projects, without which TV and appliance makers can't sell their wares.

Even excluding this broad field, many business men believe industry is not doing as much as it can. There are good reasons, of course. High on

the list: Prosperity at home provides ample opportunity for profits without the worries and risks of overseas investments.

Business men say the U.S. government can do more to stimulate foreign investment. And unquestionably the first thing they would like to see is some relief from double taxation of their foreign earnings. A beefed-up program to guarantee investments against expropriation and to permit conversion of funds is also high on the list.

Though admitting that there is an initial role for government aid in some areas, business men firmly insist that the major job in the long run must be done—in fact, can only be done successfully—by private capital. But to do that job, business must face up to the responsibilities as well as the opportunities. Here are some suggestions for foreign investors from experts in the field:

1. Make up your mind that you're in a foreign country for the long pull. If you're looking for a quick profit, stay out.

2. Be willing to plow back most of your earnings and take little or no profit in early years.

3. Respect the local customs and traditions.

4. Don't offend local pride by "showing how America does it." Foreign nationals think they're pretty good workmen, too.

5. Above all, stay completely out of local politics.

"Doing business overseas," observes National Cash Register president Stanley C. Allyn, is "largely a matter of learning to live with the complexities and to roll with the punches. The rewards—if you succeed—are worth the effort, many times over."

■ NEWSWEEK,
November 5, 1956,
p. 96:5.

How Bad Is the Engineer Shortage?

SOME OF industry's current engineering manpower needs and practices being employed to alleviate the shortage of technical personnel were recently examined in a survey of 313 industrial firms of all sizes and types conducted by *Mill & Factory*. Among the findings:

A large majority of the companies, 69 per cent, reported a need for additional engineers. The fields of greatest demand for such skills were: mechanical engineering, with 92 per cent of the companies reporting shortages mentioning this category; industrial engineering, listed by 52 per cent of this group; electrical engineering, by 51 per cent; chemical engineering, by 33 per cent; metallurgical engineering, by 32 per cent; civil engineering, by 15 per cent; aeronautical engineering, by 6 per cent; and ceramic, optical, agricultural, and physicists, by 10 per cent.

A regular program of recruiting engineering graduates is maintained by 47 per cent of the responding companies; 88 per cent of the companies report training less-skilled workers for routine engineering tasks; and 71 per cent emphasize that they use engineers only for engineering work.

Today's Civic-Minded Executives

THE DAY of the great private fortunes is gone. People no longer can give only money to community projects—they must give themselves. So says Thomas H. Coulter, head of Chicago's Association of Commerce and Industry. With this, most U.S. business men are in full agreement. While civic-minded executives and their companies still write generous checks (in 1955 corporate donations of $100 and up totaled 40 per cent of Community Chest donations, 34 per cent of United Fund contributions), many business men are not content to discharge their public responsibilities with cash alone. Instead, more and more executives are donating time and talent to civic projects, from the Red Cross to slum clearance.

Partly, the new attitude comes from the general change in 20th century business philosophy. Where companies were once concerned only with products and payrolls, today's business man feels that he is a civic leader with a social responsibility to the market he serves. "Business has a golden opportunity to demonstrate that it can be responsive to more needs of society than its material requirements," says Frank Abrams, retired Standard Oil Co. (N.J.) chairman, who spends at least two days each week on civic projects. But partly, too, the new civic-mindedness is just good hardheaded business sense. Chicago's Commonwealth Edison Co., for example, spent more than $5,000,000 after World War II on promotion to bring some 1,000 new plants to the area, all of which helped Commonwealth as well.

Many U.S. companies have developed elaborate programs of civic aid. Chicago's Marshall Field department store has a special vice president in charge of civic affairs. Each year in Houston, Humble Oil & Refining Co. lends a full-time staff of 100 Humble employees to help organize the United Fund drive, while Boeing Airplane Co. will lend six of its bright young executives to the Seattle United Fund this year, paying their salaries while they spend three months organizing plant solicitation drives.

In companies with no formal program, the president often encourages his top men to do as much as they can on their own in civic affairs. Many of the biggest companies encourage employees to take on public tasks. At DuPont so many executives are active that the company makes a point of cautioning them to "participate in, but not dominate" Delaware's civic projects.

As companies increase their civic work, the heaviest load inevitably falls on the president himself. Just as he has the know-how, energy and contacts to make his business succeed, so is he invaluable to civic projects. Some presidents give as much as 30 per cent of their time to civic projects.

Many business men and civic lead-

ers deplore the fact that too much of the work is still done by those who have always done it—for a willing worker is in high demand. They also point out that there are still too many "letterheaders," business men who merely lend their names to a civic campaign without also lending their time. Recently, however, more young men are sharing the load. Both they and their companies realize that it will give them invaluable experience; they will meet the top men in their fields; and they'll learn to talk and think on their feet.

■ TIME, *September 24, 1956, p. 86:1.*

Getting the Kinks Out of Profit-Sharing: One Company's Experience

NOT LONG AGO, a Charleston, W.Va., company marked the 15th anniversary of its profit-sharing retirement trust, which has paid out more than $300,000 in employee benefits and now holds assets worth nearly $4½ million.

"We're proud of the record," says Henry B. Wehrle, Jr., financial vice president of McJunkin Corp. "The trust makes employees partners in the business and provides liberally for retirement. But we've also learned that profit-sharing is not as simple as it sounds."

After 15 years' experience, management feels the trust's objectives are being fulfilled. But there were, and still are, problems, says Mr. Wehrle, who believes any management contemplating a plan of this type should ask itself these six questions:

1. *Will the plan be understood?*

The trustees say this has been their hardest problem. The management has published two booklets covering questions employees ask most frequently, and it distributes an annual statement for employees on profits and trust assets. Individual reports are also prepared for participants, listing their insurance assets, profit credits, and income to be expected on retirement.

"But an annual statement isn't the same thing as money in the pocket," Mr. Wehrle points out. "It's hard to get people thinking of assets in the bank as their own when they haven't actually felt the cash. We are spending more time now indoctrinating new employees, and we believe our older employees understand the plan fairly well. But we still haven't done enough with publicity."

2. *Will employees appreciate its benefits?*

It was difficult to gauge appreciation of the plan at first because employees don't experience its major direct benefits until they retire. The

present benefits—automatic savings, profit-share credits, free life insurance, and avoidance of income tax on trust accounts—are not concrete enough to be readily appreciated by employees.

"There's really only one way to judge the reaction of present employees," says Mr. Wehrle, "and that's by their productivity. If we make a good profit, it is largely due to the fact that every one has made an effort."

3. *What happens to profit-sharing in bad years?*

McJunkin's is not an annual cash-payment plan, but a retirement trust to which profit-shares are contributed for future benefits. "A big danger of cash profit-shares is the effect on pocketbooks and morale if profits drop," Mr. Wehrle points out. "Our plan minimizes this risk; the participants would miss an addition to savings in a bad year, but not money they depended on for living expenses."

Profit-shares are used to buy retirement insurance policies for most of the participants, and there is still some risk that profitless years would endanger these policies if premiums were in arrears. However, it's the trustee policy to maintain a reserve fund sufficient to pay three years' premiums.

But Mr. Wehrle is convinced that profit-sharing has no place in a marginal operation. "Only a management fairly sure it could make some profit every year would want to take the chance, particularly with a plan like ours, tied to insurance premiums."

4. *How can both company's and employees' interests be protected?*

The McJunkin plan protects the company from a drain on resources if no profit is made because the employees' trust, not the company, is liable for insurance premiums. On the other hand, the reserve in the trust protects policies for at least three years, and management must contribute if a profit is made.

Employees, not the company, own the trust, and management cannot use any of its funds in the business or borrow on its assets. The trust can be discontinued by the company, but on liquidation employees would get the full value of their accounts.

"These provisions had to be balanced carefully to make sure the company was not undertaking an obligation it couldn't live up to and employees were really getting something of value," Mr. Wehrle points out. "Such a deal can't be oversimplified. It has to be legally binding for everyone's protection."

5. *How can the rights of old and new employees be balanced?*

The management believes that early participation in the plan (employees get profit credits after two years) and the life insurance and tax savings features appeal to new employees, though it realizes young people aren't preoccupied with retirement. "We can't put new employees' interests ahead of veterans'," says Mr. Wehrle in explanation of why short-timers get no profit-share credits and 3-to-12-year employees get less than their full pay-off share if they leave (portions of shares thus "forfeited"

are divided among trust participants). "But we did want to let people into the plan early enough so it would cover the majority of employees."

6. *How can employees be sold on the desirability of savings rather than cash?*

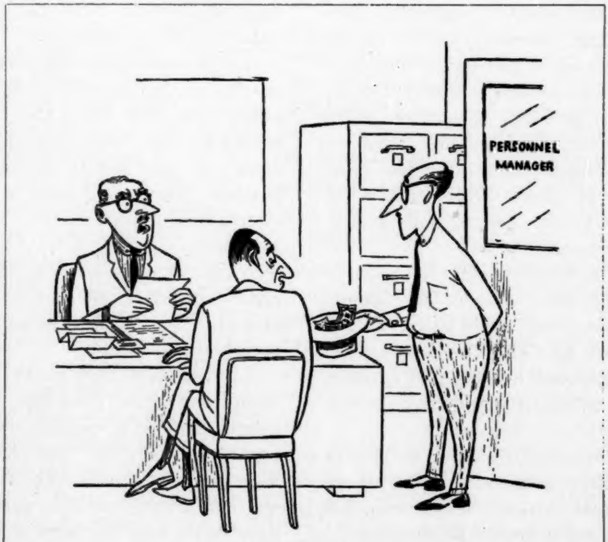
"All of us like the idea of cash, but we're also more security conscious than we used to be and we expect to live longer. We're also very conscious of personal income taxes.

"These are the points we stress about our plan. Over the years our people see their accounts grow quite large, and they can appreciate this kind of saving. In every case when an employee has died, his trust account has been the biggest part of his estate.

"We explain that our profit plan can be more liberal than others because it is tied to the retirement plan, and, for the same reason, the retirement benefits are more attractive.

"This makes a good appeal to common sense," concludes Mr. Wehrle. "How well it sinks in depends on how skillful we are in getting all the facts across to every employee."

■ *Van Ness Philip.*
INDUSTRIAL DISTRIBUTION,
January, 1957,
p. 91:4.



"Please, Thewson. This gentleman hasn't been hired yet."

—*Look Magazine*

Getting and Keeping White-Collar Workers

In cities all over the country executives not only have to pay a lot more for secretaries, typists, office machine operators, and messenger boys, but many just can't get competent help even at the new high rates. And the shortage of white-collar employees is likely to continue.

This makes it an excellent time for most companies to review their present white-collar recruiting practices and employment policies. Here are some points to consider in the recruiting area:

1. If you have a ban on hiring relatives or friends of employees, does the shortage warrant a review of the pros and cons of this policy now?

2. Older women now comprise an available pool of competent office help. Does your company have an age bar that is unrealistic? The same applies, of course, to members of minority groups and partially handicapped persons.

3. Many companies have eased the white-collar shortage by employing two women, each half-time, for a full-time job. This opens up a large pool of married women, college girls, women whose children have grown up, etc.

High turnover of office employees is another problem that needs attention. There are no pat solutions, but here are some factors to consider:

Employees who have to perform tasks considerably below their level of competence are the ones most likely to leave the job. Whenever possible, these people should be advanced to more skilled positions before they advance themselves out of the company.

What kind of introduction does a new employee get to his work and your company? What kind of a briefing as to his future in the firm? A substantial cause of turnover is the "gold-plated promise" that tarnishes as time goes on. Companies with less than 20 per cent turnover in the first five years—a good record—point out that when they hire a new man, they appraise his future in the company honestly and accurately.

If a company's prestige in the community is high, and working conditions in the firm are generally favorable, the employee's initial approach to the job is almost always positive. The danger point is reached after an employee has been with the company for some time. The initial halo rusts a bit, and attention shifts almost entirely to actual working conditions. The greatest turnover level occurs at this point.

Surveys show that worker involvement rises again once the mid-term danger point is passed, as the person begins to feel like "an old hand." Management should consider a reorientation program for people who have been with the firm a while, to get them involved again with the company, its problems, and their future in the organization.

Methods of handling white-collar employees' gripes often need improvement. From a union's point of view, employee dissatisfactions are a tempting soft spot in management's defenses. In almost every company, working people have *some* gripes, and many just don't have the courage or will power to make their grievances known.

The solution, of course, is to establish or reinforce those company procedures which make it easy for even timid employees to air their complaints to the only people who can really do something about correcting inequities—company management. Management should encourage every supervisor to ask each of his subordinates, every few months, "What troubles you most about your job?"

Often, of course, a serious grievance will concern an action of the employee's own supervisor, who then becomes the last person he wants to approach with his complaint. For such cases, it's especially valuable to designate one senior officer of the firm who, at specified times, will listen to employees with complaints.

Some successful experiments have been made with regularly scheduled meetings (once a month, say) in which employees have a no-holds-barred airing of grievances. Their supervisor is not present and the meeting is chaired by a representative of top management. Result: Fake or petty complaints die on the vine, because employees aren't apt to voice phony complaints in front of fellow workers.

"It pays to join a union." That's one slogan on union handouts that has direct appeal for white-collar workers. The union will tell or remind them that they now average smaller paychecks than factory workers, though the opposite was once true.

Before the union starts distributing handbills, management should make a careful comparative check of white-collar pay. Inform employees of competitively favorable company pay scales whenever possible. It's surprising how many businesses allow this part of the story to go untold, while false information flourishes.

It's sound policy also to review the fringe benefits offered by your firm and compare them with the benefits offered by your most immediate competitors. As in the case of direct wages, if your company stands up well it's wise to let your employees know. A company which finds it has lagged may want to consider revisions in paid vacations, sick leave, holidays, jury duty pay, and—if prevalent in the industry—profit-sharing, stock options, or investment funds.

White-collar promotion policy should also be reconsidered. Companies with low turnover make it a practice to tell each employee, at appropriate intervals, where he stands in regard to promotion—and why.

It's to management's benefit—as well as the benefit of the most competent employees—to keep promotion a reward for skill and accomplishment, not a sop for simply staying with the firm. All but the least competent employees want to know that their advancement depends on their individual merit.

Employees, however, will want the strict seniority system if a firm makes it a practice to advance people on the basis of favoritism rather than competence—or if policy is so muddled that favoritism *seems* to be the key.

It's the favoritism top management doesn't know about that can do the greatest damage, and where the white-collar union drive will find its strongest support. Try running a quiet check on what the actual promotion practice is at "platoon" level. Top management may be surprised.

▪ Staff Report: Personnel Relations *(Research Institute of America, 589 Fifth Avenue, New York 17, N.Y.) October 23, 1956.*

How Industry Is Battling Noise

How to reduce noise or live with it is—literally—a $64 million question for industry today. U.S. companies are spending just about that much money each year to fight noise, from the deafening roar of the jet plane to the bothersome click in a business machine. This annual investment in acoustical materials, sound-measuring devices, and expert advice is actually a cheap gamble against bank-breaking odds. One state industrial commission official estimates that loss-of-hearing claims against United States industry now total $2 billion!

This is because, in 1948, a court upheld the first compensation award to an industrial worker whose hearing had gradually been destroyed by the noise of the drop forge at which he worked. That ruling opened the way for preparation of hundreds of similar suits. Then, in 1951, the flood gates really opened with another decision—a court order allowing damages for *partial* loss of hearing on the job over a period of time. That same year, 263 men claiming hearing damages sued Bethlehem Steel for a total of $5 million. The suits started pouring in.

Small wonder that insurance companies are pressuring factories to make sound studies, to tackle noise seriously on a long-range basis, and—in some cases—to quit dragging their heels on the problem.

A New York paper reports that the annoyance of horn-honking is one factor chasing some industries out of New York City. In Chicago, downtown traffic noise is actually 1,000 times more intense than the noise in a typical private office. Regional planners throughout the nation now consider escape from noise on a par with escape from impure air and housing congestion as a cause of the mass move to suburbia.

The factory noise, the street noise, the noise in the skies and in the home—all these are becoming so unbearable that a leading medical authority in the field, Dr. Howard P. House, suggests: "It may be that the levels of human tolerance have already been reached."

How to measure and evaluate annoying sounds is one problem industry wants solved by the acoustic experts. Intensity of sound can be easily measured, but the noise specialists can show that loudness in itself need not be annoying or impair the hearing. Other factors — such as pitch of the sound, age of the listener, rhythmic factors, and individual susceptibility — figure in the effect upon the human ear.

IBM is one of the many big corporations with a war budget against noise. Some firms have their own equipment and consultants while others work with a Chicago organization which has pioneered in sound research and engineering: Armour Research Foundation of Illinois Tech.

Government, too, is working against noise. A committee of 40 men representing 25 industries and other interested agencies was formed under state authority four years ago to find out just what noise was doing to industry in Illinois. They agreed that workers in injuriously noisy jobs should wear ear protectors—just as safety glasses and respirators are worn in other hazardous industrial duties. But the committee found that most factory workers consider earplugs a bother and even rationalize them into a hindrance to their duties, even though they reduce noise intensity 100-fold.

This year, unions in the noisy industries of drop forging, boilermaking, and shipbuilding are including in their contract negotiations a request for flat annual payments to workers who suffer hearing loss.

What are the chances that industrial noise problems can be solved? The scientists are faced, first, with a shocking lack of basic knowledge concerning many aspects of the problem itself. They have a multitude of measuring devices and evaluation techniques, but these cannot tell management what proportion of lost hearing is traceable to the human aging process, to inheritance factors, and to exposure to non-industrial noise—as well as to noise on the job.

One fond dream of the acoustician is the development of a universal engine design which will produce vibrations in the ultrasonic range, unheard by the human ear (much like a dog whistle). Already, General Electric has built a machine which fights noise with noise. Its loudspeaker sends out a canceling wave which produces a "beam of silence" when aimed at a noisy transformer. But so far, there is a big bug in that gadget: Although the noise is blanked out in the direction of the beam, there is more noise in other parts of the room.

While noise in factories is under attack, another battle is being waged against noises in the finished product. Manufacturers have learned that even soft noises can be annoying under certain circumstances. For example, the slight click of a thermostat in an electric blanket can be an irritation when the user is just on the verge of sleep. More and more, makers of other consumer items stress in their advertising the quiet operation of their products.

■ *Milton Golin.*
COMMERCE, *October, 1956, p. 20:5.*

Can Work Be Made Meaningful?

MASS-PRODUCTION INDUSTRY is getting caught in a web of its own making. Management has created a technological environment which fails to consider necessary personal satisfaction and meaning in work and which thereby militates against the company's own objectives. Much has been attempted, as a result, to offset this weakness without correcting it.

Well aware of the loss in efficiency and the long-run social threat from lack of work satisfaction among their rank and file, employers have tried many curatives. Apart from attention to wages, standard welfare benefits, and fixed working conditions, managements have resorted to a rather heady array of "human touches."

Among these, merit awards, picnics, time off for Christmas shopping, and discounts on company products go way back. Newer measures include color dynamics, holidays on birthdays, country club membership, piped-in music, and umbrellas for going home in rainy weather. But these actions are paternal, not fraternal, in nature. They help, but they do not get to the heart of the problem.

Fringe benefits for fun, budget aids, and security now cost employers 20 per cent of payrolls. U.S. companies pay out far more money for employee recreation than municipalities spend for all the public parks and playgrounds in the country.

Yet workers dislike their work and feel suspicious or even hostile toward management. The two main sources of workers, dissatisfactions are pressure and impersonality. Both of these are getting worse in the present conduct of our business affairs.

The greater need—and there is a growing awareness of it—is to shift emphasis from getting the most out of the machine to getting the most out of the man. Recognizing his employees as free people, with boundless ambitions of their own, the manager of tomorrow will want to deal fairly with them in matters of wages, hours, and working conditions. But even more important, he will see that each job has importance and dignity, and that each worker derives increased satisfaction from his work.

—Wilbert E. Scheer in an address before the National Office Management Association

---

GROWTH POTENTIAL: During the 14-year period from 1939 to 1953, union membership rose from roughly 6.5 million (out of 30.3 million non-agricultural employees) to 16.2 million (out of 49.7 million non-agricultural workers)—an increase of 148.8 per cent, the National Bureau of Economic Research reports. Although this indicates modest progress, it indicates that unions still have not been able to get much more than one-third of the total "market" for organization into the fold.

—*For the Informed Executive* (Associated Industries of Cleveland, 805 NBC Building, Cleveland, Ohio)

Organizing for Better Public Relations

ALTHOUGH PUBLIC RELATIONS and publicity are among the fastest growing company promotional activities, they often fail to be completely effective, because of the lack of proper organization, planning, and coordination. Time invested in developing an effectively functioning public relations department is vital to a successful program. Here are 10 points which should be considered:

1. *Fix responsibility*. The public relations department should be set up so that it reports to a major executive. In creating this responsibility, it should be made clear that all publicity, including new-product releases, speeches, statements, articles, appointments, and other material is to be released only by the public relations department. Editors are likely to become confused if they receive press information from a number of different sources within a company.

2. *Establish a budget*. Here are some of the expenses which should be included in a budget estimate: salaries, direct and indirect overhead, mailing list development and maintenance, photography, clipping services, stationery, files, typewriters, photostats and mimeographing equipment, directories, travel expenses, postage, press entertainment, and association dues and memberships.

3. *Set up a program*. What does the company want to publicize? How widely? How often? What groups does it want to influence? Should the program be regional or local, national or international, or a little of each?

These are some of the questions which must be answered by careful research if a public relations program is to be effective.

4. *Develop news sources*. Once a program has been decided upon, it must be implemented by newsworthy material. Engineers, sales, marketing and advertising people, various department heads, company officers, and many others are excellent sources for material. Cultivate these news sources and keep posted on interesting applications, new and proposed products, financial news, plans, personnel changes and people.

5. *Secure approval for release*. An effective way to secure company approval of press releases and other material is to form a publicity committee to clear all items before release. Included in this committee should be a representative of top management, the sales, marketing and advertising managers, and other executives who would be interested in a particular release which is being cleared.

6. *Set up a filing system*. Of extreme importance is a filing system simple enough so that material can be easily located, yet complete enough to provide necessary information. Both these features are incorporated in the job jacket system. A register is used for listing current public relations projects by number. For each number listed in the register, there

is a corresponding file folder—or job jacket—which holds all material pertaining to that particular project.

7. *Develop a mailing list.* Releases will never appear in print unless they find their way to the right editor's desk, at the right publications, at the right time.

A number of sources are available from which names of publications and other information can be obtained. Lists should not be used uncritically. Avoid mailing material blindly. Editors do not like to waste time reviewing "junk" which has been mass-mailed and is unsuited to their editorial appetites.

8. *Develop a master photo file.* As a supplement to the job jackets in which photos are filed by projects should be a master photo file. This file has two separate advantages: (1) It provides an easy method for locating photos by type of product or installation, and (2) it furnishes a spot for filing photos which are useful but may not be a part of any job jacket.

9. *Make monthly reports.* Informing management about public relations department activities through a monthly report is an excellent way to keep them sold on the necessity of a continuing program.

10. *Merchandise the results.* Publicizing the company's publicity and public relations program is a valuable project. Properly handled, the activity builds morale, develops pride and makes the task of digging out additional publicity an easier one.

An effective method of merchandising publicity to management is to photostat all clippings and bind them into a plain folder. This book is circulated among company and agency executives, department heads, and others at regular intervals.

It is also beneficial to keep field sales forces, distributors, and, when practical, retailers acquainted with the company's publicity and public relations program. This can be done economically by putting out a very simple offset newspaper or folder with reprints of major articles, statements, speeches and photographs.

■ *Carleton P. Adams.*
INDUSTRIAL MARKETING,
December, 1956, p. 46:4.

KINDNESS is the one commodity of which you should spend more than you earn.

—T. N. Tiemeyer

How Top Companies Expect to Do in 1957

LOOK FOR the nation's economy to soar to new record levels in 1957. That's the view of top executives in pace-setting industries all over America.

To get a cross-section of business thinking on our economic prospects for the next 12 months, *Nation's Business* surveyed executives of leading companies in all fields of activity and all sections of the country. The survey shows how industry leaders evaluate the general business outlook in 1957—the basis on which they are making their plans—and how they assess the prospects for their own industries over the next five years.

Here are some of the findings:

Outlook. Seventy per cent of the executives taking part indicate that they expect conditions in their industries to be better in 1957. Twenty-nine per cent say conditions will be about the same, while only 1 per cent believe conditions will not be as good as 1956.

Sales. Eighty-seven per cent expect sales to increase in 1957. Anticipated increases range from 3 per cent to 20 per cent. Of those who specified what increase they expect, one-fourth foresee an increase of 10 per cent or more, half expect an increase of 8 per cent or more, and three-fourths look for an increase of 5 per cent or more. Twelve per cent say they expect their sales level to remain about the same, and one business man, the treasurer of a mining company, predicts that his firm's sales will decrease by 10 per cent in 1957.

Jobs. Sixty per cent say their companies will probably employ more workers in 1957. The expected increases range from 1 to 20 per cent. Of those who specify what their own increase will be, 18 per cent look for an increase of 10 per cent or more, 58 per cent anticipate an increase of 5 per cent or more, and 75 per cent predict an increase of 3 per cent or more. Forty per cent feel the level of their employment will remain about the same.

Productive capacity. Ninety-two per cent say their companies will spend to expand productive capacity in 1957—a significant fact, since spending for new plants and equipment in 1956 set a new all-time record of about $35 billion. Six per cent predict their firms will spend nothing to expand in 1957, and 2 per cent indicate that they do not consider the question applicable to their companies.

Tight money. Eighty-three per cent believe the tight money policy will have no effect on their plans for expansion during the coming 12 months. But 13 per cent say that tight money will cause them to cut back the size of their planned expansion expenditures. Two per cent feel the policy will have little effect on them.

Prices. Fifty-six per cent forecast

a rise in the price of their products or services in 1957. The expected increases range from 1 to 15 per cent, although some of those taking part preferred not to set a definite figure. Of those who estimated the rise, one-fourth expect an increase of 5 per cent or more; half expect an increase of 4 per cent or greater; and three-fourths expect an increase of 2 per cent or more. Forty-four per cent anticipate no significant change in their price level during 1957.

Labor costs. There is near-unanimity in this area, with 95 per cent agreeing that their labor costs will rise during 1957. The expected range is from 1 to 15 per cent.

Of those who give a specific percentage of increase, one-fourth expect an increase of 7 per cent or more, half expect an increase of 5 per cent or more, while three-fourths expect an increase of 3 per cent or more. The 5 per cent who see no rise in their labor costs expect them to remain about the same.

Other costs. Eighty-seven per cent of the respondents agree that materials and other costs will increase in 1957, while the remaining 13 per cent expect these costs to remain about the same.

Research and development. Fifty-three per cent say their companies will spend more for research and development in 1957 than they did the year before, while 33 per cent expect to spend the same amount. Fourteen per cent explained that this question does not apply to their operations.

Five-year prospects. Twenty-five per cent forecast a rise in the volume of their industries from 16 to 20 per cent over the next five years. Eighteen per cent look for an increase ranging from 11 to 15 per cent, and 18 per cent expect it to be 31 per cent or more. Sixteen per cent expect it to be from 6 to 10 per cent; 13 from 21 to 30 per cent; and five from 1 to 5 per cent. Several explained that their operations are too diversified to permit a precise answer.

The survey participants, in the main, were selected on the basis of their industry's contribution to the gross national product, or total goods and services produced in a given period (in this case one year). Of the more than 100 executives taking part, 49 are presidents, while others include vice presidents, treasurers, comptrollers, and company economists.

The responses came from 21 states and the District of Columbia, with the state distribution covering the major geographical areas.

■ Nation's Business, *December, 1956, p.* 36:3.

MILEAGE ALLOWANCE: Seven cents a mile is the most common mileage allowance paid to salesmen who drive their own cars on business, according to a National Industrial Conference Board survey. This amount has been allowed generally since 1951. Of the companies polled, 76 per cent used salesmen-owned automobiles.

—*Changing Times* 9/56

Labor's Wage Gains in '56

BY AND LARGE, the key labor negotiations that were completed during 1956 tend to confirm labor leaders' assurances that workers "never had it so good"; wage gains last year far outran the increase in cost of living, even counting the recent spurts in the latter.

Here are some of the high spots of the year's wage bargaining:

For all settlements noted by the Bureau of National Affairs in 1956, the average increase was approximately 10 cents an hour, which is a couple of cents higher than the average for 1955. In general, increases negotiated at leading firms equaled or exceeded this figure.

In certain key areas—autos and farm equipment, for example—there was no wage bargaining by the leaders in 1956, but deferred and cost-of-living increases hiked wage rates by just about the average being granted in negotiations in other sectors.

Practically all of the settlements also provided improvements in fringe items. The value of these improvements generally was substantial, exceeding nine cents an hour in one instance (steel).

The most significant fringe development, perhaps, was the negotiation of supplemental unemployment benefit plans in basic steel, aluminum, and rubber. Coverage of such plans is now not far below the 2 million mark.

One or more wage boosts in future years were scheduled by several of the key settlements—in all cases, in fact, where wage negotiations aren't permitted during 1957.

Worth noting in connection with these deferred increases is the fact that they were bigger than those that have generally been negotiated in past years. For example, automatic boosts of 5 and 6 cents an hour (not counting escalator increases) were scheduled for 1956 in many industries, including autos, chemicals, electrical products, farm equipment, flat glass, and machinery.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc., Washington 7, D.C.) No. 343

HANDICAPPED WORKERS: When a study in 1942 indicated that more than 90 per cent of all the company's ground jobs could be handled efficiently by amputees, Eastern Airlines, Inc. began hiring disabled veterans for such positions as stock clerk, mechanic, foreman, reservation agent, engineer, and tabulating machine operator. Today, approximately 1,000 men and women out of a total payroll of 12,500 are amputees, cardiacs, spastics, arthritics, or otherwise disabled men and women—and, thanks to careful placement practices, Eastern finds that they are performing on a par with any other employee.

—*Industrial Relations News* (230 West 41 Street, New York 36, N.Y.) 10/6/56

Taking the Sting Out of Price Increases

Quite a bit of economic evidence indicates that price increases are in the cards next year for some industries that have already increased their 1956 prices as well as for many others that have not. This checklist of questions to ask yourself if *you* have to raise prices next year is designed as a guide in (1) planning the price rise, (2) announcing the price rise, (3) promoting and selling the price rise.

Is the new price right? To determine whether it is, consider what effect it will have on consumers, distributors, dealers. For example, what new price will the consumer accept? There may be good reason to question whether the new price is *high enough*. Consumers may not think the increased prices make enough of a differentiation between what you have to offer and what is available at a lower price.

A hosiery manufacturer recently discovered he couldn't gain acceptance for a 15-cent increase in the price of his women's hosiery. He did, however, when he increased the price 30 cents. The new price was psychologically more acceptable to women.

How will the price increase affect salesmen? For example, does the price increase mean that salesmen will lose business because established accounts have been priced out of your market? Does it mean whole new fields of distribution will open up for your salesmen—doubling and possibly tripling their selling opportunities? Or will the market shrink to the point where salesmen will worry about holding on to their jobs? How will salesmen's morale be affected? Will the new price increase take them by surprise? Advanced planning and good timing will equip salesmen so that they are able to answer every question about the new price from their sales contacts.

What are the public relations angles? An important consideration in announcing a price increase is to present it in a way that makes it seem reasonable, fair, and justified by circumstances and cost. Where you have acceptance in the eyes of the general public, you have a price franchise to protect and promote. The wise sales manager will use whatever channels of communications are available to persuade the general public that his price is right and that dollar-for-dollar the consumer is getting his money's worth.

Can you pretest the price? This is something you can plan for in a number of ways. A pilot survey by some of your salesmen among selected distributors or dealers may provide the quick answers you need. Consumer tests in key markets is another fast way to check not only whether the price is acceptable in general but whether it gives you the return you need, promotes maximum

sales of the products or services you sell, and has psychological appeal.

What about future price increases? If sales management doesn't have the answer to this question, someone should check with higher management. To make an all-out effort to sell a new price increase one minute and then to be confronted by a bigger advance the next can lead to confusion and frustration all along the line.

How will the new price affect dealer and distributor inventories? Is it possible that a leak about a price increase will cause an inventory build-up? Obviously, this calls for some kind of policing and secrecy in the planning and disseminating of information about plans for new price increases.

How will competition react? An important research job to undertake before increasing prices is to check to see what competition has done, is doing, will do. It might be a good idea for sales management, production people and other top management men to get together and try to anticipate what the logical moves of competition might be when your price increase becomes generally known.

How will you announce the price increase? What will be the order in which you will inform people about the news? The advantages of telling your salesmen about it first are twofold: They have time to solidify their customer relations by giving customers the news personally; also, they have time to develop new sales presentations and reasons why the new price is worth every bit of the extra money dealers and distributors will be asked to invest in the product.

On the other hand, a broadside distribution of the new price announcement, which lets everyone know about it at the same time, can eliminate price discrimination and confusion about costs that sometimes arise when price information is more slowly circulated.

What will you do to sell the price rise? An important price increase should call for important new sales promotion efforts. Sales meetings and other sales communications techniques must be used to explain why the price is right. Maybe the new price goes hand-in-hand with a new model, a bigger trade-in, an attractive premium.

A new price increase calls for a brand-new look at all the factors which affect the sale of your products and services, from ways to provide salesmen with more effective sales aids to a complete analysis of channels of distribution and sources of sales in each of the many big and small markets in the entire country.

In times of price increases the most effective sales training will be specifically aimed at providing answers to the biggest sales obstacle of them all—the time the prospect says, "Your price is too high!" How will your men answer this sales-killer? The right kind of thoughtful sales training will provide the effective answers your salesmen will need and welcome, if you *have* to raise prices in '57.

■ *William J. Tobin.*
SALES MANAGEMENT,
November 2, 1956, p. 31:3.

Developing an Executive "Farm System"

Finding the right executive for the job and developing the right job for the executive are crucial problems that top management has too often failed to solve adequately. This failure will continue to plague management men until they give as much concern to *total* job training as to selection of executive material.

The tremendous cost of replacing management personnel is reason enough to make sure the employed executive is right for his job. In a certain corporation, for example, it was found that it cost 500 times as much to have a top executive fail as it cost to have one worker fail!

New demands upon today's executives are also exerting pressure on management to recognize the need for proper executive placement. Because of rapid organizational change, most corporation executives now face such problems as the transition from administrative to staff responsibility, from doing to delegating, and from self-reliance to dependence on others. Since the individual executive may fail at any one of these points, it becomes essential that management select its executives carefully, provide each executive with a clearly defined job, and then train him well.

Is this the way corporations generally operate? In many cases the job is what the executive finds when he gets there, and the president and board feel, although with increasing uncertainty, that they have done their best when they promise him their backing. Were it not for the new and enlarged demands for executive mobility, we might be relatively satisfied with the result. But improvement *is* needed now, and the first and crucial step is to clarify the needed function and then create the organization to perform it. What is needed might be termed a "vice president in charge of management"—a position somewhat comparable to that of the manager of a big league baseball club's farm system.

The climate in which this executive operates is all-important to his success. Free from any of the usual personnel manager's administrative duties, he must move in when there is difficulty in selecting the right man, and he should be active in providing adequate training in the new job.

The newly created vice president should be able to answer at least six questions satisfactorily to be sure that his housekeeping is in order:

1. Are the jobs well filled, at least at the manager and executive levels? To assure an affirmative answer, the responsibilities involved in each job should be clearly understood, and standards of performance should emphasize what the corporation wants each man to do and on what basis he can expect recognition, compensation, and promotion.

2. Is genuine selection being practiced at the various levels? Good selection requires a delicate balance

between scientific and performance tests on one side and judgment on the other. One of the most common mistakes is to give a testing division at headquarters the final authority on hiring and promotions.

3. Is technical and on-the-job training carrying its share of the load? Too great a reliance upon some phase of training, especially upon pre-employment training or on-the-job training, is a common error.

There are two simple methods to determine training-program failures. If the newly created vice president learns that a high percentage of those who fail in their jobs or are incompatible with immediate superiors seem to possess the same basic traits as those who succeed, he can conclude that the training program is faulty.

4. Are reservoirs of promotable candidates being built up? Perhaps the greatest contribution the vice president can make is to appraise personnel limitations and then initiate action to overcome such difficulties. Consider, for example, the sales executive whose volume results are fine, but whose costs are too high, or whose men are mediocre. The time to catch and rectify such failings is when they are first noticed, not when the executive is vice president in charge of sales.

5. Are little annoyances removed before they become big ones? What is the company's policy toward executives who refuse promotions? What does it do with those who think they should have been promoted? How are illusions, misconceptions, paternalism, and bad promises eliminated? These little annoyances, of which every corporation has its share, can assume big proportions if ignored.

6. Will top management stay in line? If high-placed executives are not always informed of the company's program for getting the right men and the right jobs together, the work of years can be undone by a speech, a private conversation, or a chance remark. Conversely, with good staff work, the informed senior executive can greatly strengthen such programs.

The knowledge and techniques of specialists in many fields can be of immeasurable help in developing a full executive training and selection program. Competent economists, for instance, can contribute their talents by making clear to the corporation the cost of having employed unqualified executives. A team of psychologists and educators studying the circumstances in which executives hit a maximum of effectiveness can aid corporate policy.

With this sort of expert help, we can count on the inherent good judgment of top executives to overcome present difficulties in the correct placement of executive personnel.

■ *Stanley G. Dickinson.*
CHALLENGE, *October, 1956, p. 28:4.*

RESEARCH is an organized method for keeping you reasonably dissatisfied with what you have.

—Charles F. Kettering

Labor Gives a Boost to Automation

THE MORE enlightened labor unions in the United States have long ceased to resist the use of "labor-saving" devices and methods, including, most recently, those loosely classed as "automation." But recently Local 1 of the Amalgamated Lithographers of America, A.F.L.-C.I.O., broke new ground in American industrial relations. Over 2,000 members of the local and 800 representatives of management gathered together in New York to see live closed-circuit TV demonstrations and movies of the use of new techniques and machines and to hear lectures on how productivity in the industry could be further increased. The union had chipped in $8,500 from its treasury to finance its share of the show, which was jointly sponsored by Local 1 and leading lithographic firms.

This dramatic episode culminates years of A.L.A. experience which has convinced it that "labor-saving" devices, in the long run, create more labor than they "save"—and can bring higher wages and shorter hours of work.

Employment of lithographers in the United States and Canada is said to have increased from 6,000 to more than 35,000 in 35 years, while the volume of business has gone up from $5 millions to over $1 billion a year. Local 1 members now receive from $125 to $200 for a 35-hour work week, enjoy three weeks' paid vacation a year and receive $4.50 a week per man from their employers for fringe benefits. And all this has been achieved through free—and peaceful—collective bargaining. The union hasn't called a strike for 30 years.

—*New York Times* 12/7/56

Mechanized Food Service: Answer to Plant Cafeteria Costs?

A GROWING NUMBER of companies are finding automatic vending service a solution to the problem of providing in-plant eating facilities without losing money on the operation.

A typical automatic lunch line has about seven machines, which dispense hot and cold beverages, soups, stews and meat dishes, hot and cold sandwiches, salads, vegetables, and desserts.

For a company with 300 or more employees, the only costs involve provisions for an eating area, tables, water, and electricity for the equipment. Catering firms install and maintain the equipment, plan the menus, and prepare the food.

Companies with fewer than 300 employees may be charged a fee, depending upon the volume of sales. One Chicago vending firm recently installed a bank of machines in a plant employing about 200. Total cost to the company amounts to 50 cents a month per employee.

—*Steel* 12/24/56

Engineers in Industry: They Think They've Got Troubles

ENGINEERING UNIONS now claim as members nearly 60,000 of the nation's 500,000 engineers, according to a study just completed by the National Industrial Conference Board. While these figures show that engineers are far from constituting a unionized segment of the economy, they do indicate possible dissatisfaction among this group.

To determine why unionism has occurred among a group considered by many as "unorganizable," the survey was conducted among executives of companies whose engineers were unionized, officials of engineering unions, engineering societies, and engineers themselves. The findings show that many engineers are not completely happy with their financial position, their status as professionals, and their treatment as "individuals."

One of the chief financial complaints of engineers, the study reveals, is that the earnings differential between salaried engineers and wage earners has become too narrow in many companies. And in terms of fringe benefits, engineers say their former advantage over the production worker has been virtually wiped out. A second major financial complaint is that existing salaries for engineers have not kept pace with increases in the hiring salaries of engineers.

The study also revealed a common belief among engineers, based on blatant "help wanted" ads and aggressive recruiting, that their company does not pay as well as others. In addition, engineers feel that merit is sometimes subordinated to seniority in determining salary increases.

Union leaders say that engineers unionize to regain the professional status they feel they lose with mass employment. Engineering societies likewise report genuine professional dissatisfaction. But they maintain it stems from the fact that many companies do not fulfill the engineer's desire to be classified as part of the management team.

As professionals, the study points out, engineers want: (1) better communication with management in order to gain clearer understanding of company policies; (2) credit in reports and papers they help develop; (3) classification as professionals rather than grouping with non-professionals; and (4) less frequent assignments to jobs requiring little engineering ability.

The disappearance of the personal relationship which once existed between engineer and employer is largely responsible for the dissatisfaction engineers now feel as individuals, according to Conference Board findings. The engineer objects to being treated on a mass basis in hiring, training, and other employment situations. He feels he has no measure of his progress such as is furnished by job titles, and he believes that he is not given sufficient training or job rotation to equip him for promotion.

ALSO RECOMMENDED

Brief Summaries of Other Timely Articles

GENERAL

THE GREAT HUNT FOR EDUCATED TALENT. By John W. Gardner. *Harper's Magazine* (49 East 33 Street, New York 16, N.Y.), January, 1957. 50 cents. Whether we shall have an adequate supply of liberally educated men and women with the creativity and sense of values that the future demands or a paralyzing flow of skilled opportunists, time servers, and "educated fools" depends on the basic principles that guide our efforts in higher education, the author says. This article assesses the forces that have created the hunt for educated talent, examines how it is now being conducted, and discusses its future course.

INDUSTRY-COMMUNITY RELATIONS. By Max Wolff. *Industrial Development* (Conway Publications, North Atlanta 19, Ga.), November-December, 1956. $3.00 per year. Business men are becoming increasingly aware that maintaining good community relations is less a matter of philanthropy than a matter of practical self-interest, the author believes. In this article, he considers the professional, legal, and extra-legal obligations of the corporate citizen, using case examples to indicate how various types of community-industry interrelationships can be cultivated for the mutual benefit of the company and its community.

CORPORATE DIVISIONS VS. SUBSIDIARIES. By Robert W. Murphy. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1956. $2.00. A corporation contemplating decentralizing its operations should be careful to make the right choice between divisions and subsidiaries, the author says. After describing the characteristics of the divisional form of organization, he cites some of its advantages, ranging from simplicity of operation and a minimum of corporate reports to antitrust considerations and certain tax advantages. But in some situations, he cautions, even greater benefits may be gained from the subsidiary type of operation.

THE DEBT PROBLEM AND ECONOMIC GROWTH. By Paul W. McCracken. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), November, 1956. Gratis. Is our growth potential being jeopardized by inconsistent attitudes toward debt policy? Discussing the financial requirements of an expanding economy, the author points out that many who hold the view that public debt is too large are also concerned about the size of private debt. And yet, the author believes, either public or private debt must rise if we are to reach a projected goal of $565 billion in gross national product by 1965.

A NEW DIMENSION IN PUBLIC RELATIONS. By Paul Garrett. *Public Relations Journal* (2 West 46 Street, New York 36, N.Y.), October, 1956. 75 cents. Corporate public relations has scored phenomenal advances as an important management tool in recent years, says the author, but it must achieve even more progress in order to keep up with the new patterns of thinking brought on by the technological revolution. He suggests that management can improve its public relations techniques by: (1) timing company moves to attain the greatest public relations benefit; (2) decentralizing the public relations job by putting everyone

in the organization to work on it; and (3) using imagination to develop new ways of creating better public understanding of business.

MANUFACTURING INVESTMENT SINCE 1929. By Donald G. Wooden and Robert C. Wasson. *Survey of Current Business* (U.S. Government Printing Office, Washington 25, D.C.), November, 1956. 30 cents. A comprehensive statistical study of trends in manufacturing investment—in relation to employment, output and income—between 1929 and 1955. During that period, business purchases of structures and equipment for manufacturing operations totaled $115 billion in current values, of which $85 billion was spent during the post-war years. The authors give a broad statistical picture of the trends in manufacturing production.

INDUSTRIAL RELATIONS

SHORTER HOURS OF WORK. *Monthly Labor Review* (Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.), November, 1956. 55 cents. Organized labor's growing interest in reduced hours of work as a key objective is in evidence in these excerpts from five papers presented at the recent AFL-CIO Conference on Shorter Hours of Work. Together with a history of union efforts to reduce working hours, a report on recent progress in this direction, and proposals for future action, this section discusses the attitudes of workers toward the shorter work week and economic aspects of the continuing trend to reduced hours of work.

MULTIPLE MANAGEMENT MATURES: A CASE HISTORY. By John C. Baxter. *Personnel Journal* (P.O. Box 239, Swarthmore, Penna.), December, 1956. 75 cents. Multiple management can be an effective method of stimulating executive development, says the author, supporting his belief with a description of how a successful multiple management set-up was gradually established in his own company (Rapids-Standard Co., Grand Rapids, Mich.). Spurred by extensive participation in management problems, the company's junior executives take their own development in hand, helping each other to acquire managerial skills and attitudes.

MEMBER MURDOCK DISSENTING. By Paul A. Brinker. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), November, 1956. $1.00. In the author's opinion, interpretation of the National Labor Relations Act has been substantially changed by decisions handed down by the new Republican majority on the NLRB, and he cites a number of cases to show that the Republicans find fewer violations of the Act by employers, while the dissenting Democrats tend to take the union point of view. Among the significant changes in interpretation made by the new majority, the author mentions restriction of coverage under the Act and legalizing of employer interrogation if limited to relatively few employees.

HIGH COSTS OF LIBERALIZING SUB PLANS. By Jules Backman. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1956. $2.00. Though supplementary unemployment benefits are only a few years old, union leaders are already driving for liberalization of some of the requirements for seniority, duration, and percentage of wages to be paid, the author says. Warning that seemingly slight adjustments in the restrictions can mean skyrocketing costs for the companies involved, he describes and illustrates a method for computing potential increases.

OFFICE MANAGEMENT

CAN YOU AFFORD THE "PRACTICAL" APPROACH TO ELECTRONICS? By Rolla R. Ross. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), November, 1956. 50 cents. The author has found that companies contemplating a switch to electronic data-processing tend to use two approaches to the problem: (1) the "practical" approach, which results in a partial conversion aimed at immediate benefits; and (2) the "visionary" approach, which is directed at a broader, long-range goal and involves a thorough over-all study of the company's data-processing requirements. The author favors the second approach, although he concedes that it requires substantial changes in company procedures and a considerable investment of time and money.

MANUAL OF OFFICE REPRODUCTION. By Irvin A. Herrmann. *The Office* (232 Madison Avenue, New York 16, N.Y.), November 15, 1956. $3.25. The latest edition of this comprehensive manual will be useful to office managers seeking the most efficient and economical ways of solving specific duplication problems. A wide range of reproduction processes and systems duplicating methods is discussed.

WE USE FLOW CHARTS. By H. D. Thomas. *Modern Office Procedures* (812 Huron Road, Cleveland 15, Ohio), December, 1956. 50 cents. Faced with the problem of breaking in a new mechanized payroll system as smoothly as possible, one company (Griscom-Russell Co., Massillon, Ohio) applied the technique of flow charting to the revised procedures, with the result that employees learned them much faster. This article describes the new payroll operation and the current use of the flow charts to train new employees and guide supervisors who temporarily substitute for absent clerks.

WHAT TO CONSIDER WHEN YOU BUY EDP. By Charles E. Faulkner. *Control Engineering* (330 West 42 Street, New York 36, N.Y.), November, 1956. 50 cents. Too many electronic data-processing installations have been made without sufficient preliminary analysis to determine their value in cutting costs and increasing efficiency, says the author, and the result in some cases has been serious disillusionment. For the company considering EDP he lists some pitfalls to be avoided and describes a three-step program for a thorough study of all factors. Illustrated with tables and charts.

PRODUCTION MANAGEMENT

DEVELOPING SMALL SCALE AUTOMATION. By F. F. White. *Automation* (Penton Building, Cleveland 13, Ohio), January, 1957. $1.00. For the small plant, as well as for the larger operation whose management wants to approach automation cautiously, the author suggests small-scale automation as a modest approach that can be applied to existing machinery and processing techniques and return the moderate capital investment in a short time. After giving several basic criteria for deciding whether to automate at all and for determining how soon small-scale automation will pay for itself, the author discusses procedures for automating on a limited scale.

PURCHASING FOR AEROQUIP — A GROWTH INDUSTRY. By H. B. Ferguson. *Purchasing* (205 East 42 Street, New York 17, N.Y.), November, 1956. $1.00. When a company grows from an initial investment of $10,000 to a nationwide organization with sales exceeding $30 million, it naturally encounters increasingly com-

plex problems in many areas. This case study of one such company, the Aeroquip Corporation (Jackson, Mich.), describes how the organization's decentralized purchasing operations are conducted and coordinated. The author includes a discussion of how the company chooses its suppliers and describes the changes in forms and procedures that have been necessary to keep up with new developments and the changing needs of the organization.

INDUSTRIAL TELEVISION: ANOTHER TOOL FOR FLOW CONTROL. *Flow* (812 Huron Road, Cleveland 15, Ohio), November, 1956. 50 cents. Experimental installations of industrial television in materials handling and traffic control systems have proved so successful that widespread usage of this new observation tool is in the offing, the author says. He describes industrial TV equipment and cites examples of its wide range of applications, from the observation of steel rolling operations to the televising of production schedules from a central planning office to all parts of the production line.

TAILORING AUTOMATION TO PLANT NEEDS. By Robert B. Seidel. *Automation* (Penton Building, Cleveland 13, Ohio), October, 1956. $1.00. Many smaller manufacturers reject automation because the cost of automated machinery is too high for their limited or short-run production requirements. But there are different levels of automation, the author points out, and small companies can achieve important cost savings by utilizing the inexpensive, intermediate levels — e.g., automatic gauging devices on conventional machine tools. Another help to the small producer would be the development of highly standardized, low-cost automated machines for the limited manufacture of specialized devices.

MARKETING MANAGEMENT

RETAILING'S ROLE IN AMERICA'S PROGRESS. *Chain Store Age* (2 Park Avenue, New York 16, N.Y.), January, 1957. $3.00 per year. Despite their vast expenditures for new buildings, equipment and remodeling, retailers as a group are improving and expanding their physical plants at a rate far below that of manufacturers, according to the editor. This special report presents a broad survey of the opportunities and problems that retailers will face in the next 20 years in order to supply the expanding needs and wants of a growing U.S. population.

MARKETING: NEW HARNESS FOR MANAGEMENT. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), November 23, 1956. 25 cents. This round table discussion on the marketing concept sets forth the ideas of six top men in the field on various aspects of marketing: what marketing means, the team concept, the right background for the marketing director, where advertising fits into the marketing plan, etc. Included are descriptions by executives of two companies (Kraft Foods Co. and F. & M. Schaefer Brewing Co.) of marketing set-ups and procedures in their organizations.

GOOD LATIN AMERICAN MARKETS GO BEGGING. By Martin Lowe. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), October, 1956. 25 cents. The author strongly believes that the potential profits to be made by U.S. business in the Latin American buying market are being largely unrealized because of apathy, inadequate knowledge of problems faced by foreign distributors, and the failure to give proper training to foreign salesmen. He cites several case histories to illustrate how Latin American sales can be boosted through personal, on-the-spot attention to the building of an efficient foreign sales force.

FINANCIAL MANAGEMENT

THE MONEY MARKET. *Business Week* (330 West 42 Street, New York 36, N.Y.), November 17, 1956. Reprints 50 cents. Because of the strong and continuing demand for credit and the restrictive policies of the Federal Reserve System, the task of obtaining adequate outside capital has become a major problem for U.S. business. This comprehensive report on today's money market examines the difficulties that face corporations when they try to raise additional funds for either short-term or long-range purposes.

THE FAST WRITE-OFF. By William H. Chartener. *Challenge* (475 Fifth Avenue, New York 17, N.Y.), December, 1956. 20 cents. The five-year tax write-off now being granted on new defense facilities is under growing attack by those who believe it represents government favoritism and is economically unsound. The author, agreeing with this viewpoint, describes two other new accelerated-depreciation methods — the "double-declining balance" and the "sum-of-the-year's digits" — which are available to all industries and would equalize the speeding up of depreciation and obsolescence deductions.

HOW AND WHEN TO USE COMMERCIAL FINANCE. By Howard M. Baltimore. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), December, 1956. 50 cents. Expanding businesses that are finding traditional lines of credit insufficient in this tight-money period might do well to take a fresh look at the commercial financing company as a source of additional working capital, the author suggests. He describes various types of commercial financing and cites some of the benefits to be gained from using this method of borrowing.

RESEARCH CONTROL. By Ronello B. Lewis. *Research and Engineering* (103 Park Avenue, New York 17, N.Y.), October, 1956. $1.00 Despite the serious difficulties involved in applying the modern control concept to research, many companies are belatedly moving their controls into this area, says the author. He discusses ways of establishing a relationship between research spending and future profits, suggests methods of setting up a research project budget, and describes some forms and reports for the measurement and control of research expenditures.

INSURANCE MANAGEMENT

THE NEW ALL-RISK OFFICE CONTENTS INSURANCE. By Hyde Perce. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), November, 1956. 50 cents. A report on a new all-risk insurance policy for office contents which provides broad protection that was formerly unavailable or prohibitively costly. The author describes the major features of the new policy, which covers losses on furniture, fixtures, equipment and supplies, as well as a number of other losses that previously required individual policies.

SPECIAL FIRE SECTION. *Plant Administration* (481 University Avenue, Toronto, Canada), October, 1956. $6.00 a year. This six-part feature on industrial fire prevention begins with a grim example: the struggle of one company to survive a disastrous $500,000 fire. Safety measures to prevent such catastrophes are then discussed in the article, which includes a check-list for making a plant safety inspection, a guide to the maintenance of fire-fighting equipment, and a pictorial feature on exit safety.

Executives Wanted: The Managerial Manhunt

■ *Lydia Strong*

NOT LONG AGO, the executive vice president of a fair-sized New England manufacturing firm got some bad news from his doctor: He'd have to quit work immediately and permanently—or else. The executive, who had not planned on retiring for another six years, was quite naturally upset. But as he talked things over with the company president, the two men agreed there was one bright spot in the picture: The company's 43-year-old plant manager would be competent to take over the vice presidency.

Accordingly, in the executive vice president's presence, the plant manager was called to the front office and told of the plans for him. He listened uncomfortably until the president had finished, then broke some news of his own: He had recently been approached by a consultant specializing in executive recruitment, and had just signed a contract to join a larger competitor as vice president in charge of manufacturing.

The company had no choice but to wish him luck—and start out on the hunt for two new executives of its own.

Except in certain of its details, this story and its outcome are by no means unusual. Yet, hiring executives from outside the firm is contrary to the convictions of most companies—and small wonder.

This article will also appear as a chapter in a major AMA publication, *Selection of Management Personnel.* Scheduled for spring publication, this book will be a companion volume to *The Development of Executive Talent.*

Executive recruitment is a costly, time-consuming adventure. It can be dangerous, if competitors learn prematurely of strategic replacements; and it is often embarrassing to management, since it violates the gospel of promotion from within.

The majority of companies covered in a recent AMA survey will not admit to filling more than 10 per cent of their top- and middle-management jobs by recruitment. Yet, many say, this percentage is rising. Big-company personnel men agree it's a seller's market for executives, and there is further confirmation in the rapid growth of executive search consultant firms.

Recruiting an executive is an undertaking as difficult as it is important. Quite often the new man must be of higher caliber than any employee available for the job; often, too, he must qualify as an expert in a new field of operations where the company has no experience. The decision is one that may affect the firm's future quite materially.

To find out about current company practices in executive recruiting, AMA recently surveyed a representative cross-section of member companies across the nation. Further information was obtained from interviews with the personnel executives of several large companies, with consultants specializing in executive recruiting, with commercial employment agencies, and with others active in this field.

HOW MUCH RECRUITING?

Fifteen per cent of the companies surveyed do little or no executive recruiting, and another 43 per cent fill only up to one-tenth of their executive openings from outside. But the remaining participants —two companies out of five—recruit more than 10 per cent of their new executives. (Details are given in Table 1.) The larger the firm, the less likely it is to hire executives from outside.

Some of the personnel managers who were interviewed said at the start that their firms did no recruiting at the executive level. But in the course of discussion they remembered that some recruiting had been done—typically, when the company started making a new product or entered into a new field of activity. It may be surmised, therefore, that among the survey respondents also the actual amount of executive recruiting is in some cases higher than estimated.

FACTS ABOUT THE SURVEY

Questionnaires were mailed to 1,500 companies in AMA's Personnel Division; by the deadline date, 469 had replied. Of this number, 437 indicated the percentage of executive jobs filled by recruiting (see Table 1).

TABLE 1

EXECUTIVE JOBS FILLED BY RECRUITMENT

Per Cent of Executive Jobs Filled by Recruitment	*No. of Firms*	*Per Cent of Sample*
Few or none	64	14.6
2-10	189	43.2
11-20	54	12.3
21-30	57	13
31-40	18	4.1
41-50	32	7.3
51-75	17	3.8
76-100	6	1.3
Totals	437	99.6

The findings on other facets of company practice in executive recruiting are not based on the entire sample, but on the 293 firms whose replies show that they do enough recruiting to be good sources of information on the subject. For purposes of analysis, these firms were put into three categories: small, medium, and large (see Table 2).

TABLE 2

Size of company	*Number of companies*
Small (100 to 1,000 employees)	109
Medium (1,001 to 5,000 employees)	113
Large (5,001 to 300,000 employees)	64
Number of employees not stated	7
Total	293

The majority of the sample—219 out of 293 firms—are manufacturers of industrial or consumer goods. Other categories, each represented by a comparatively small group, are service, insurance, utilities, research and development, wholesale and retail distribution, finance, and transportation.

Close to half the companies have stepped up their executive recruiting during the postwar period; this trend is particularly marked among large companies. Today good men are even harder to come by than they were in the boom market of five years ago, and experienced recruiters now talk of a "mad market" in executives.

Companies give a number of reasons for this expansion of executive recruitment. The principal reason is quite simple: business growth and diversification. Many companies have doubled and tripled in size since the war, and many are planning further growth. Another important reason—and one that makes the recruiting problem doubly difficult—is the increasing complexity of management, which brings with it the demand for stronger, abler, more highly skilled executives.

A third important factor in today's recruitment scramble is yesterday's neglect. The many companies that would not or could not maintain adequate programs of management development during the war are now suffering serious shortages in executive reserves. They have promoted everyone they consider promotable, yet they still lack people to handle key jobs and to back up the thin line of top management.

And finally, the boom market perpetuates itself; many established companies have painstakingly developed executives, only to have them snatched away by fast-growing new firms that can offer premium salaries.

All this activity does not mean, however, that every manager can easily switch to a better job. The competition is keen—*for men with top qualifications.* Even in filling middle-management jobs, companies are looking for men who have not only the ability to do the immediate job, but the drive and potential to go higher. Typically, one personnel manager comments: "We want executives who can grow and administer, who are interested in forward planning."

There is particularly heavy recruitment in technical fields (engineering and research), in sales management, and in production jobs. Staff specialists are being added in fields that are comparatively new to some companies, such as market research and quality control. But many firms are also recruiting general administrative people—divi-

sion and department heads, even top executives. There are more top jobs open now, according to one search consultant, than there are men willing and able to fill them.

PIRATING

Most men hired at the executive level are employed at the time of hiring—which means they are hired away from some other company, often in the same field as the new employer. This activity, which is likely to be termed "pirating," "raiding," or "cannibalism" by the victims, is known to some of those who practice it as "cross-fertilization" or "distribution of executive talent."

"There are written and unwritten agreements on piracy, but underneath you will find catch-as-catch-can jungle warfare," says the personnel manager of an instruments firm which itself does considerable recruiting.

Agreements and ethical procedures take various forms. Some personnel men won't go out after executives of other companies, but will talk to them if they come in. Others, on a still higher level, will not talk to a man employed by a customer or a competitor unless the matter has been cleared with the man's immediate superior. Man-hungry new companies in fast-growing fields, on the other hand, sometimes openly raid bigger competitors. One such company circularized every engineering executive in an older and larger firm, hired a few at salaries the original employer didn't feel justified in paying. The very policy of management in depth, which means having men waiting to step into other men's shoes, is bound to produce some executives who don't want to wait.

Companies that have bound themselves not to raid others in the same field sometimes avail themselves of an alternative: let a management consultant or an executive search firm do the job. This is one reason for the popularity of search consultants. A company may baldly ask the consultant to see what the prospects are for getting Mr. Soandso away from his present firm, or it may ask him to survey the field and find out which men are open to offers. This certainly is not sticking to either the letter or the spirit of an anti-raiding agreement, but it keeps the company's name out of all but the successful deals.

Is pirating really so black as it has been painted? After all, the recruiters point out, executives are not baseball players, bound by industry agreement to stick to one team till it lets them go. They are free agents, having more than the average amount of drive; it is not surprising, therefore, if they go wherever they feel they are offered the most opportunity. Also, it is true that new companies in fast-growing fields have not had time to develop their own executives. They must bid for the men they need to keep on growing.

Yet, however defensible the practice of pirating may be in particular circumstances, it has one major shortcoming. It does not solve the main problem: the shortage of executives, not in any one industry, but throughout industry in America today.

RECRUITMENT SOURCES

Business contacts are the most productive source for recruiting executive talent, according to a decisive majority of respondents in AMA's survey. Other sources (in order of their combined frequency of mention as first, second, and third choices) are personal recommendations, advertising, consulting firms, and commercial employment agencies. Unsolicited applications are last, though a few companies find them the best source for executive recruitment.

RECRUITMENT THROUGH CONTACTS

Contacts with persons in the same line of business, such as customers, suppliers, or competitors, are a good recruitment source, because they put the company in touch with executives who know its field. Most companies pursue such contacts only casually, but some do it systematically. One metalworking firm reports:

"We maintain a complete file of all promotions made in our industry and use it as our primary source for executive recruiting. In addition, suppliers are frequently informed and let us know who might be interested in a change. It works well."

Apparently it does. This is a large company which fills a third of its executive jobs by recruitment, without recourse to consultants or agencies.

In decentralized companies, a related method for promotion from within is an index or register of the talents and qualifications of all

executives in all plants and divisions. When a vacancy occurs, the register is consulted, and inside candidates are reviewed. At General Electric, management has information on technical personnel codified in a data-processing system, and other large companies are planning similar systems covering executives.

KNOWING SOMEBODY

Personal recommendation is a time-honored method of filling executive jobs. The president, or some other officer, or the immediate superior, knows someone who would be just right for the spot. When this candidate goes through the same procedures of interviewing and checking as other candidates, the results may be fine and the man may be hired, personnel directors say. But when regular procedures are bypassed, the method of personal recommendation can result in costly mistakes.

A company president brought in as production manager a personal friend who, he knew, had chalked up a terrific production record in another firm. But the old firm had been making the same product with slight modifications for many years, while the new employer was creating a new, flexible series of products subject to frequent changes in design. The new production manager simply could not cope with forward planning in an atmosphere of constant change—a fact that could have been learned in advance, if he had gone through the customary checks and interviews.

ADVERTISING

Advertising is considered the third most productive source for executive recruitment. Survey respondents rank special display ads in newspapers first; classified advertising comes in a close second, and advertising in trade publications a not-so-close third (though it's the best in certain situations). Radio and TV advertising is ranked last, by the few who express any opinion of it.

SEARCH CONSULTANTS

Consultant firms, or search consultants (also called ivory-hunters, man-hunters, and several less complimentary names) are retained by two out of five of the firms surveyed, to fill some of their execu-

tive jobs. Medium-sized firms are the most likely clients, then small firms; the large companies are the least likely to use consultants, yet one-third of those covered do use them, at least occasionally.

Typically, the search firms are used as a last resort after other recruiting methods have failed to produce suitable candidates. The reason is simple: *The consultant charges the company for making the search, whether or not he fills the job.*

The fee charged depends in part on the consultant. There are two kinds: general management consultants, who take on recruiting as part of their over-all service to a client, and search consultants, who specialize in recruiting. The general consultant usually charges a per diem fee (plus expenses) for the period of search; the specialist charges a flat fee which can be negotiated, but which usually runs to 10-20 per cent of the starting salary (plus expenses). Thus, it can easily cost $3,000 to hire a recruiter to fill a $15,000 job.

Executive search specialists are a new phenomenon on the management scene. Almost all the firms in the field today were established within the past 10 or 11 years, many within the past five. The owners are often former recruiters for management consultant firms. The industry centers in New York (13 of the 19 recruiters listed by the Association of Consulting Management Engineers have their headquarters in New York City), but its contacts and clients are nationwide.

PROS AND CONS OF CONSULTANTS

The advantages of consultants, as seen by respondents to the AMA survey, are primarily their contacts. "They can solicit men we cannot otherwise reach," says one personnel manager, and many others agree.

Second, many companies feel that consultants "are able to make more thorough, confidential investigations of candidates and have more personal sources which can be used to determine the actual fitness of the candidate." A number of respondents like the fact that consultants work confidentially, so that the company's name does not enter prematurely into negotiations; some also consider important the saving of time and trouble for the company.

The principal disadvantage of hiring a consultant, as has already been noted, is the high cost; this is also the chief disadvantage cited by the companies surveyed. Many complain also that some search firms over-rate their candidates, or send candidates who are not qualified. A number feel that recruiters do not really know or care about company requirements (though it must be added that some others consider the consultant's "intimate contact with the company and understanding of its needs" a prime advantage). Several men make the reservation that search firms are interested in, or are used for, only the high-salaried jobs. A few say the recruiters are too slow, or that the time they will take is too unpredictable.

HOW CONSULTANTS RECRUIT

The methods of consultants could be followed, to a certain extent, by any well-staffed personnel department interested in executive recruiting. Through personal contacts and through the trade news, they watch the progress of men in various fields. When a man looks promising and they think they may at some time be able to place him, they get in touch with him. The proposal may be made directly, or the consultant may ask for suggestions for filling a job; if the man is interested, he will suggest himself.

The search specialists also use, on occasion, all the standard sources: advertising, commercial agencies, trade associations, etc.

"We have a merchandising approach," one such specialist says. "We keep sales records, and we know from these that we'll be asked to fill, say, a dozen comptrollerships next year. We search in advance, and make it our business to have in our files men who will fit client specifications for the next two years. We know we'll need those comptrollers, so we're already locating and talking to men who can move when assignments come. We travel. We know the names of several men in, say, Milwaukee. We get acquainted with them. They may say they're willing to move."

Paying a fee to a search firm does not, of course, guarantee that the company's recruitment worries are over. What are the prospects of filling a job if you hire a recruiter? Consultants and personnel men of large companies were asked to estimate the batting averages.

Consultants say one reason they don't bat 1.000 is that the company may change its signals—may promote from within, or may decide after an evaluation by the consultant that the job should be changed or eliminated. In cases where the original job remains open, however, the consultants interviewed claimed records of 90 to 100 per cent success.

The personnel men, though not too critical of consultants, rated their performance somewhat lower. One personnel manager of a multi-division company said that consultants "usually succeed—or at least come up with two or three top-flight candidates." Another large company wound up deciding, in three cases out of four, that though the consultant's candidates had been pretty good, they could do better with their own. A third company, a fast-growing transportation firm, reported that one consultant had filled a whole series of comparatively low-salaried jobs ($8,000-$10,000), while another consultant had scored only 50 per cent success with jobs at $15,000 and above. A fourth concern, an advertising agency, retained two recruiters to work on the same four jobs. One man filled all the jobs, the other none.

COMMERCIAL EMPLOYMENT AGENCIES

Respondents were asked how often they had found commercial agencies helpful in filling top-management and middle-management jobs. (Top managers were defined as "company presidents or other officers, company managers, or heads of major divisions and departments;" middle managers as "those below the top level, but above the first-line level.")

For middle-management jobs, commercial agencies are found "often helpful" by only one company out of five, but they are at least occasionally helpful to three companies out of four. Small and medium-sized companies are much more likely than large ones to consider agencies useful in filling these middle jobs.

Few of the companies surveyed appear to have much faith in agencies as a source for filling top-management jobs. Seven out of ten respondents say they are "hardly ever" helpful on such assignments. Yet some companies do rely on commercial agencies, and a few top firms have gone to the trouble of listing, for the use of

their branches and divisions, agencies suitable for executive recruitment in various cities throughout the United States.

The majority of employment agencies are not set up for the purpose of executive recruiting. But some agencies do specialize in this field, and they conduct, on a limited scale, many of the same activities as search consultants. They have extensive files of executive applicants, they have coast-to-coast contacts in many cases, and they do, within limits, conduct searches. It has indeed happened fairly frequently that executive search consultants have located successful candidates through commercial agencies. In such cases, two fees may be paid for one job; the company pays the consultant, and the executive pays the agency.

HOW COMPANIES SIZE UP EMPLOYMENT AGENCIES

The principal advantages of commercial employment agencies, as reported by survey respondents, are first that they offer a wide choice of applicants, and second that they save the company time through pre-screening. Some companies like also the confidentiality of agency services, and a few make the point that "Those who specialize in executives can do a good job."

The brick-bats, however, outnumber the bouquets. A principal gripe is poor screening, which causes the company to be bombarded with unqualified applicants; a second objection, widely voiced, is that the best men don't feel they need an agency to get a job, and hence are not registered with agencies. "Rarely does a person we might consider as an executive go to an employment agency for assistance," runs a typical comment.

Some companies complain that agencies don't understand their requirements; others say that agencies use high-pressure, oversell and overprice their candidates, and are interested only in the fee.

There is some truth in the statement that many top men will not register with commercial agencies. Technical and engineering executives particularly are in such heavy demand that they do not need to pay an agency fee. And money is not the only deterrent. Some (not all) executives fear they will lose face if they ask an agency to help them get a job.

Nevertheless, companies could work more productively with employment agencies if they took the trouble to find the right agencies, if they acquainted these agencies more thoroughly with their requirements, and if they held them up to the mark on screening.

The way to find a commercial agency suitable for executive recruitment, according to companies who use them, is to ask around among business associates, particularly among personnel managers. If there is a local organization of personnel people, it, too, may be able to give guidance.

COLLEGE PLACEMENT SERVICES

Alumni placement offices of colleges are another potential source of executive recruits. A college placement service has the advantages of confidentiality, prestige, and personal interest in applicants. Also, it does not charge a fee.

Not every college has a placement office for alumni (as distinguished from graduating seniors), but most of the better-known colleges and technical schools do. Some get out news bulletins on available jobs and applicants. Some do—and some don't—perform a good screening job. Though as a rule college placement offices can fill only a small percentage of the jobs listed with them, some personnel men have found them rewarding. An airline uses two or three college services regularly. A paint company personnel director says, "Most of our executive recruitment is confined to colleges . . . we find the alumni offices have excellent candidates."*

Professional associations are, of course, also sources for specialists in various fields.

UNSOLICITED APPLICATIONS

Most firms, particularly the bigger ones, receive unsolicited applications for employment. But the majority give serious consideration to only a few of these applications, and they are not generally thought of as a productive recruitment source.

* A directory of college placement offices is published yearly as the October issue of the *Journal of College Placement*, 35 East Elizabeth Ave., Bethlehem, Pa. It does not list alumni placement services as such, and the current directory is already out of print. Another clue is the listing of colleges and universities in the *World Almanac* and the *Information Please Almanac.*

It's possible that a good bet is being overlooked here. Certainly a few companies, mainly large ones, report that unsolicited applications are their best source for executive recruitment. One electronics firm does 70 per cent of its recruiting from among people who have written in to ask about a job.

Most companies are today at least willing to consider applications from men outside their industry and outside their geographic territory, though only a minority recruit actively in these areas. Most companies will also, within reason, pay the expenses of a candidate living at a distance to come in for an interview, and will pay his relocation costs if he is hired.

RECRUITING PROCEDURES

Close to half the firms surveyed have or are developing routine procedures for handling executive candidates. Formal responsibility is usually assigned to the personnel or industrial relations department, but the executive concerned seldom devotes more than one-tenth of his time to it.

An important part is played, of course, by the firm's officers and top executives. Often, in fact, though perhaps less often than formerly, these men fill the top jobs without reference to personnel protocols.

The diverse procedures for interviewing candidates and for making the hiring decision are almost as numerous as the companies surveyed. There are, however, a number of points common to most companies.

For top-management jobs, there are seldom fewer than two interviews, and much more frequently there are four or five. The decision to hire is made most often by "top management" or by some other group of persons rather than by an individual. In only one-tenth of the companies is the decision left to the executive who will be the recruit's immediate superior.

In filling middle-management jobs also, single interviews are a rarity. Typically, two, three, or four men interview candidates. The immediate superior makes the hiring decision in about one company out of four; in most of the others it's a joint decision involving some members of top management.

HOW MUCH TIME—AND MONEY?

Two-thirds of the respondents report that they can fill top-management jobs within six months, middle jobs within three months on the average. But there are many companies that take nine months, a year, or even longer to fill both top- and middle-management jobs.

Respondents were asked what it costs to fill an executive job—including consultant fees and the time of the people doing the interviewing, but not including the costs of training and orientation after the man is hired. Clearly, this is not an area in which much cost accounting has been done. Estimates range all the way from $75 to $15,000. The median estimate for all companies answering this question is $1,600, with small-company estimates running considerably below those of medium-sized and large companies.

One obvious risk, it would seem, in recruiting executives from outside is that those in the company may become disgruntled and may leave. In point of fact, though, hardly any respondents admit having lost good men in this way—but they emphasize that this happy state of affairs was not achieved without thought and care. "We do no recruitment unless the need can be demonstrated," one manufacturer points out. Another: "Our supervisory selection procedure, we hope, conveys our intention that those within be thoroughly considered first."

A few companies admit that some good men have left after being passed over for an outside candidate. But others say they have lost more men through jealousy or disappointment after making a promotion from within.

HOW GOOD ARE THE RECRUITS?

How well—or how badly—do executive recruits work out? In most companies surveyed, at least four men out of five do as well as was hoped. But other firms are far less fortunate. Thirty-nine say that anywhere from half to all of their recruits have been disappointing.

Small companies fare less well than big ones in the ratio of satisfactory recruits. And companies recruiting comparatively few executives fare worse than those that recruit many. There may

be a number of reasons for this: lack of experience in orienting new executives, ignorance of what results may reasonably be expected, or a company climate inhospitable to new men. There is also, of course, the fact that a company which has had too many recruitment failures becomes less likely to recruit.

About half the respondents feel that the number of failures could have been significantly reduced—usually through better screening and more thorough investigation. Large companies are much more inclined than small ones to accept the inevitability of some failures —but then, they have fewer failures to accept.

HOW NOT TO RECRUIT

The faults and failings are not all on the candidate's side. Here are some troublesome company practices, as seen through the eyes of recruiting consultants and employment agencies:

First and foremost comes the sin of stalling. When an executive is ready to leave his job for a new one, say recruiters, he's in the mood for action. He knows that decisions take time—but when months drag by without satisfactory explanation, he's inclined to shy away.

A marketing director was interviewed by a company anxious to hire him—but the president was in Bermuda, and the executive vice president was in Maine. Before the top men returned, the market director had been interviewed by two other companies. One of them waited, the other hired him. A telegram of acceptance from the first company came too late.

Undue waste of a candidate's time is another complaint. A man who is working—as most executive candidates are—has limited time for interviews. The several interviews that are usually necessary should be arranged to fit his convenience.

Unrealistic conditions—such as salaries that don't fit the job requirements, or a demand for many years of rounded job experience coupled with an arbitrary age limit—are other recruiting headaches. Two respondents out of five in the AMA survey set age limits, with the top limits ranging from 30 to 60 years of age. Some companies have additional idiosyncrasies, such as preferring graduates of Ivy League colleges, only men who wear sober neckties, and so forth.

Unclear or incomplete job specifications are also confusing to recruiters. A good job description not only outlines the present duties of the job but gives some idea of the opportunities. It covers the character and personality required as well as experience and academic training.

HOW TO AVOID THE RECRUITING PROBLEM

Not all personnel men deplore the practice of executive recruitment. There is still a minority who feel that the introduction of at least a little new blood at the top is stimulating to the company. But the majority feel that the best executives are home-grown.

Despite the possible pitfalls and disappointments of management development, it remains, if the evidence of the AMA survey can be trusted, a major method of holding executive recruitment to a minimum. Of the respondents carrying on management development activities (seven out of ten, in AMA's sample), more than half are able to fill at least 80 per cent of their executive vacancies by promotion from within. The record of firms without management development programs is considerably poorer.

Says one personnel man: "The better we establish an internal plan for the selection, development, and placement of management personnel, the less emphasis we will have to place on recruiting."

Are American Workers on the Move?

THE TURNOVER RATE of industrial employees is remaining relatively stable, judging from a recent *Mill & Factory* survey of 211 firms. A rate of 3.9 per cent or less was reported by 68 per cent of the respondents, and 71 per cent said that their turnover rate is about the same as, or lower than, 1955's rate.

A heavy turnover of unskilled hourly workers was mentioned by 85 per cent of the companies whose rates were higher than in 1955; 34 per cent said that skilled hourly workers were involved, and 21 per cent mentioned engineers.

Among the reasons for employee turnover, respondents mentioned the desire for more money (60 per cent), search for more satisfying work (31 per cent), and transportation difficulties or shift rotation (12 per cent). Only 14 per cent believed that other firms were "pirating" their skilled workers.

Management by Participation

Its Place in Today's Business World

■ ***Keith Davis***

PARTICIPATION IS AN OVERWORKED WORD in the business environment, but it is a much underworked activity. The idea sounds good to most business men, but they are frequently unsure what to do with it. Some grossly misinterpret what it is, and others are not sure when to apply it or how far to go with it. One reason for all this confusion is that managers have not had much experience with the modern style of participation. As they practice it, they usually develop confidence in its benefits and attain the skill that customarily comes with experience. Another reason for confusion is that there are many new ideas about participation. Only recently have social scientists and managers begun to devote substantial professional attention to its use in business. Participation, though ancient in the history of mankind, is comparatively new in the modern business culture.

THE NATURE OF PARTICIPATION

Participation is defined as mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibility in them. There are three

---

Dr. Davis, author, lecturer, and specialist on problems of human relations and personnel management, is Professor of Management at Indiana University. This article is adapted by permission from the author's new book, *Human Relations in Business* (McGraw-Hill Book Company, 1957).

ideas in this definition which are important to business men who will practice the art of participation.

First, and probably foremost, participation means mental and emotional involvement, rather than mere muscular activity. Some managers go through the motions of participation, but nothing more. They hold meetings, ask opinions, and so on, but all the time it is perfectly clear to employees that their manager is an autocratic boss who wants no ideas. This is busy work, not participation.

A second important idea in participation is that it motivates persons to contribute to the situation. They are given an opportunity to release their own resources of initiative and creativeness toward the objectives of the organization. In this way, participation differs from "consent," which uses only the creativeness and ideas of the manager who brings his ideas to the group for consent. The consenters do not contribute; they merely approve. The practice of "consent" allows some degree of useful communication (mostly one-way), but it does not provide participation in which all members of the group can contribute their ideas.

A third idea in participation is that it encourages people to share responsibility in an activity. Because they are self-involved in an organization, they want to see it work successfully. Participation helps them become responsible industrial citizens, rather than non-responsible, automatons.

Managers often ask, "If by means of participation I share authority and responsibility with my personnel, don't I lose some of my own authority? I can't afford to lose authority because I am responsible, and if I am responsible, I must have the authority." This is a perfectly normal worry, but it is hardly justifiable, because the participative manager still retains his authority to decide. He shares his problem with the group by means of a process which may be called social delegation. Social delegation in the human relations domain is comparable to formal delegation in the organization domain. Formal delegation does not weaken a manager's organizational authority; neither does social delegation weaken his authority. No modern manager objects to formal delegation. In fact, it is his stock-in-trade; it is the act which makes him a manager. No manager of the future, say 20 years hence, will under

normal conditions object to social delegation through participation. It, too, will be his stock-in-trade—that which makes him a participative manager.

BENEFITS OF PARTICIPATION

Participation is not just a theory derived by someone looking for a new idea in human relations. There is ample evidence that it works in practice. The great danger with participation, as with scientific management, is that its practitioners will get lost in the procedures of participation while overlooking its philosophy.

Procedures do not make participation; rather, when they are used in the right time and circumstance, they make it possible for participation to develop in the minds of employees. The substance of participation is a set of attitudes among employees which encourages teamwork and satisfies their need for human dignity as respected, contributing members of their organization.

Participation offers many advantages. It is valuable in many areas other than job performance, such as working conditions, community relations, and employee benefits; consequently, its use may produce widespread benefits to a company as a whole. The principal advantages of participation may be summarized briefly as follows:

1. It encourages better decisions.
2. It uses the creativity of all employees.
3. It restores a measure of human dignity, motivation, and mutual interest.
4. It encourages people to accept responsibility.
5. It improves morale and teamwork.
6. It encourages acceptance of change.

As a consequence of these general benefits, certain more specific production and economic benefits tend to occur. Note that they are a result of the general benefits and do not occur independently, which means that participation works indirectly through the minds and emotions of men to bring its benefits to the production floor. Among the specific benefits are: (1) higher rate of output; (2) improved quality of product; (3) fewer grievances and conflicts; (4) reduced turnover, absenteeism, and tardiness; (5) in-

creased income for distribution to those who are involved in the enterprise.

In the words of William Seward, who studied participative practices in industry, "The experience of those concerns who have made participation a tenet of policy shows that, when all employees are treated as participants in the business, that business can provide greater rewards."

PREREQUISITES FOR EFFECTIVE PARTICIPATION

Participation's success is directly related to how well certain prerequisite conditions are met. Some of these conditions occur in the participants; some exist in their environment. Taken together, these conditions mean that participation works better in some situations than others—and in certain situations it does not work at all. These conditions are:

1. There must be time to participate before action is required. Participation is hardly appropriate in emergency situations.

2. The financial cost of participation should not exceed the values, economic and otherwise, that come from it. Employees cannot spend their full workday participating, to the exclusion of all other work! To take another example, if participation causes disastrous competitive leaks of information, the cost may be too high.

3. The subject of participation must be relevant to the participant's organization or something in which he is interested, else he will look upon it merely as busy work.

4. The participant should have the ability, such as intelligence and knowledge, to participate. It is hardly advisable, for example, to ask the janitor in a pharmaceutical laboratory to participate in deciding which of five chemical formulas deserves research priority; but he might participate in other problems related to his work.

5. The participants must be able mutually to communicate—to talk each other's language—in order to be able to exchange ideas.

6. Neither party should feel that his position is threatened by participation. If a worker thinks his status will be adversely affected, he will not participate. If a manager feels that his authority is threatened, he will refuse participation or be defensive. Par-

ticipation, therefore, thrives best in a company culture which truly accepts it all the way from the top down.

7. Participation for deciding a course of action in an organization can take place only within the group's area of job freedom. Some degree of restriction on sub-units is necessary in any organization in order to maintain internal stability. Each separate sub-unit cannot make decisions which violate company policy, collective bargaining agreements, legal requirements, and similar restrictions. The area of job freedom for any manager is his area of free decision remaining after all outside compulsory restrictions have been applied. With regard to the restricted area, he and his men may participate in deciding that a change should be made, but they alone cannot make the change.

DEGREES OF PARTICIPATION

Any manager who tries to set up participation in his company will recognize that there are degrees of participation ranging from zero to infinity, and that the lesser degrees are easier to reach. Considerable skill is needed to attain advanced degrees of participation, but there are always places to begin. There are three important degrees of participation. The first is the *mutual-understanding degree,* and its purpose is to help all members understand each other's functions and attitudes so that they will develop better teamwork. They become more self-involved, more creative, and more responsible members. The *advisory degree* is built upon the mutual-understanding degree, because members are hardly ready to give sound advice until they understand the situation. In advisory participation an individual can help make decisions and offer creative suggestions, but he lacks authority to apply his ideas. The leader finally decides the course of action after giving suitable weight to ideas of participants. The *authoritative degree* of participation actually gives the group a degree of power to effect its decision. This power may be formal, as when a manager delegates decision-making authority on a safety matter to his group, or informal, as when the group makes decisions subject to the manager's right to veto, but his veto is hardly ever invoked. An example of the latter is multiple management, which will be discussed later.

THE UNION'S ROLE

A labor union often has definite policies regarding what areas and degrees of participation it thinks are desirable. Even if the union institution has no explicit policies, its leaders usually have definite viewpoints toward participation. Some unions, for example, favor joint participation in job evaluation; others do not.

Many union leaders feel that if they participate in helping management decide courses of action, the union's ability to challenge these actions is thereby weakened. These union leaders would prefer to remain aloof, having complete freedom to express disagreement with management and challenge it at any time. The opposite point of view, held by some leaders, is that participation gives them an opportunity to get on the inside and to express their viewpoint before action is taken, which is superior to disagreement and protest after a decision is made. In actual practice, most union viewpoints are somewhere between these two extremes; some types of participation are acceptable, but others are not. Much depends on the existing state of company-union relations, the degree of participation proposed, the stability of the union, and similar influences. Good faith on the part of both parties is essential.

An important distinction to unions is the difference between (1) employee participation in the role of union representative, such as having a union representative on the job-evaluation committee, and (2) participation by an individual employee, such as in a shop safety committee. Unions are much more hesitant about the former, because they are officially involved. They look more favorably upon the latter practice, as long as matters covered in the collective-bargaining contract are excluded, and usually they will not formally object if management wishes to establish practices of this type.

TECHNIQUES OF ENCOURAGING PARTICIPATION

The participative methods discussed below represent new developments and examples of the wide applicability of participation. Some methods, for example, work best with managers; other plans apply to employees. Some use formal committees; others work informally. The plans are consultive supervision, democratic super-

vision, production committees, suggestion programs, and multiple management.

CONSULTIVE SUPERVISION

Consultive supervision, also called consultive management, is the term which best describes a manager's general efforts to develop informal participation, with minor emphasis on formal committees and procedures. It is the kind of participation which a manager can apply even though his boss does not apply it. No new company policies are required, and the existing authority-responsibility relationships in his firm are not affected. Consultive supervision, as the name implies, means that the manager consults with his employees on key problems which affect them, in order to get them to think about the problems and contribute their own ideas before he makes decisions. This approach requires that a manager be genuinely receptive to ideas of his men so that they can perceive that their ideas are useful. A manager applying consultive supervision must have the humility to admit that he does not know more than all his men together and that his ideas are not always best. His attitude is the important factor, rather than the procedure itself, because his men will quickly perceive the superficiality of any procedure which is not underwritten by a genuine desire for employee ideas.

Consultive supervision does not weaken a manager's formal authority, because he still retains the right to decide. It normally should strengthen his informal authority, because his consultation with employees and response to their ideas help to make him their representative as well as the company's. A number of important by-products, such as better communication and grievance settlement, come from consultive supervision, because both parties better understand each other's problems.

DEMOCRATIC SUPERVISION

Democratic supervision, also known as democratic leadership, is often used as a synonym for consultive supervision, but, in a narrower sense, democratic supervision is something different. It makes a greater shift of decision-making responsibility to the group.

In some instances, the supervisor "delegates" decision-making authority to his group to the extent that he does not proceed until group decision is reached on matters referred to it. If the group does not decide, this is the supervisor's cue that no action should be taken. Although he theoretically retains ultimate authority, in practice he shares it with his group.

The democratic supervisor obviously does not let his group make all decisions affecting it. In the first place, decisions can occur only within the area of job freedom, as described earlier. Each group in a coordinated production unit, for example, cannot determine its own days and hours of work. In the second place, only a few of the total number of decisions are brought to the group; otherwise, it would spend its whole day deciding. What is meant is that the democratic supervisor brings to his group a sufficient number of problems to cause them to feel that their creativity is being used and that they are adequately involved in determining the affairs which affect their work. The feeling or climate of participation is the important factor, not the number of decisions.

PRODUCTION COMMITTEES

Production committees are groups formally organized to consider work problems and composed jointly of worker and management representatives. They have been used for decades, especially in railroading and clothing manufacturing; and on occasion they have produced excellent results. But production committees have had a checkered record of success. In some industries they have been successful, but not in others. Some companies have used them for a while, then dropped them.

One reason for the poor performance record of production committees is that management and labor have lacked the human relations skill to utilize them. This impediment will be removed in time, but other impediments are not so easily pushed aside. Some union leaders feel that production committees are a surreptitious device for a speed-up. Others believe that unions should not become involved in "management work" related to production, because it will weaken the union's role. A number of employers object to "letting the union (or workers) manage the plant." As a further

deterrent, there is the ever-present possibility that the committees will become bogged in red tape, lose continuity because of infrequent meetings, or otherwise become impotent. Because of these problems, production committees may continue to play a minor participative role in business under normal conditions. Other practices, such as informal consultive supervision, tend to be more widely applicable.

SUGGESTION PROGRAMS

Though suggestion programs have been more successful than production committees, they need careful "feeding and watering" in order to flourish. One human relations weakness is that they exist primarily by written communication; hence the motivation that comes from face-to-face interaction is lacking. The employee seldom participates in the consideration of his ideas; other persons do that for him.

A second suggestion-program weakness is the tendency of the average foreman to resent employee suggestions, because he looks upon them as criticism of his ability and efficiency.

One answer to this problem is the kind of higher-management support which gives a foreman credit for a high suggestion rate in his department and which sells him on the philosophy that all employees can have good ideas. Another answer is to give the foreman some financial return for suggestions accepted in his department, such as 10 per cent of total payments to his men.

Just as foremen resent suggestions, specialized staff personnel may resent them even more when the suggestions apply to their specialty. Experience has shown that industrial engineers especially tend to object to suggestions affecting processes for which they are responsible. Many a good idea has died, not because someone failed to suggest it, but because some specialist rejected it partly for emotional reasons.

An even more difficult problem with suggestion programs is the employee's reluctance to suggest any improvement which will make production more efficient and thus deprive fellow workers of employment. He also hesitates to make any proposals which cause other employees to have to produce more (even though the work

is made easier) because he knows they may retaliate by rejecting him socially or using other pressures. The result in many instances is that employees do not dare to make production suggestions. Instead, they emphasize personal needs, such as better locker space.

Suggestion programs are workable and have a place in participative management; however, their role is limited because of their narrow scope (i.e., only suggestions) and their emphasis on the written word. Face-to-face practices have broader usefulness in participative management.

MULTIPLE MANAGEMENT

Multiple management is a participative practice started in 1932 at McCormick & Co., Inc., primarily for junior executives. It has been used successfully around the world in hundreds of companies, both unionized and nonunionized. Its central core is a junior board of directors which is given the opportunity to study any company problem and to recommend courses of action. Company information is made freely available to them, and their meetings are unrestrained by the presence of any senior executives. Members set their own by-laws and rotate their membership. Only two "brakes" are put upon the board. First, all recommendations must be unanimous, which encourages the board to recommend only the better ideas on which all can agree, and which places responsibility for the recommendation on each member. Second, no recommendation becomes effective until the president or senior board approves it, which is a means of retaining ultimate top-management control. In practice, this second "brake" is seldom needed when the plan is working well. At McCormick & Co., to cite one example, only six out of 2,109 recommendations were rejected in the first five years of multiple management.

As the practice eventually developed at McCormick & Co., multiple management also used specialized junior boards, such as a factory board, sales board, and institutional sales board. The use of these specialized boards depends somewhat on the size of a firm and its own particular problems. Obviously, a small company of only 300 persons would have no need for the additional specialized boards.

Multiple management has proved itself as a participative prac-

tice for management, especially for the sometimes-overlooked middle managers. It is an excellent way to bring new blood into the top-management structure and to train men as they move up. It taps the reserve of creativity which middle managers seldom get to use, and it encourages them to take on responsibilities as rapidly as they are able. The result is a plan which helps meet their age-old desire to participate, and does so in a way that benefits managers, workers, stockholders, and customers alike. As with any plan, there have been occasional failures. Two prime reasons are lack of genuine support by top management and suppression of free committee discussion because senior executives attend meetings.

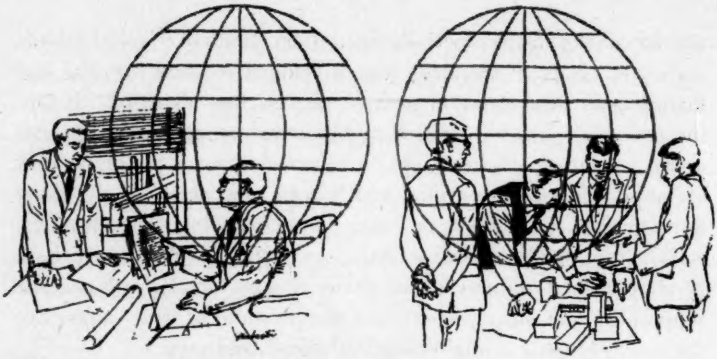
DEVELOPING EFFECTIVE PARTICIPATION

The five participative plans discussed—consultive supervision, democratic supervision, production committees, suggestion programs, and multiple management—are examples of the many ways in which management can develop participation among its employees. There is now considerable evidence that participation can increase productivity and morale, along with other beneficial side effects. It offers an unlimited potential for improvement in business, but this potential is tempered by the fact that it cannot be suddenly (and rashly) "installed." As part of the culture of the plant, it is a change which must come about slowly; and since it is a human relations change, great skill is needed to apply it. Management should therefore proceed with caution, building each improvement upon a past success—but by all means, management should proceed!

Whole-Dollar Paychecks

THE WHOLE-DOLLAR APPROACH has been adopted for the payroll of 23,000 non-managerial employees of Consolidated Edison Co. of New York, *The Controller* reports. A worker earning \$84.60 a week receives \$85.00 instead the first week, ditto the second week. The third week he receives \$84, to compensate for the overpayments during the first two weeks.

The reason for this change is installation of a huge electronic accounting machine in the utility's general office. The new "brain" works fastest when dealing with even dollars. Fractions give it trouble.



Executive Development, British Style

Some Comparisons with American Approaches

■ *Rosemary Stewart*
Acting Director
The Acton Society Trust, London

OUTSIDE THE UNITED STATES, management development has received more attention in Great Britain than in any other country. Although British companies have shown interest in learning how American firms are tackling this management problem, however, American companies rarely seem to wonder whether there is anything they can learn from the British approach.

In many ways, it might prove helpful to examine the experience and techniques of some of the leading British firms: generally, their more experimental and less formalized approach; more specifically, their emphasis on the recruitment of high-grade candidates and on careful selection procedures. Some British selection methods —in particular, group selection—should be worth studying, and the attention paid to talent-spotting and the variety of methods employed in this area might also prove suggestive.

It could prove equally fruitful to examine what British firms do *not* do. Why don't they use "personality tests"? Why don't they place

as much emphasis on appraisals as do their American counterparts? Are their reasons worth consideration by an American company?

SCOPE OF THE STUDY

For the Acton Society Trust, an independent research society in London, the author recently completed a two-years' study of the problems and practice of management development in 50 of the largest manufacturing companies in Great Britain.* Based on an analysis of the educational background and career history of over 3,000 managers, several hundred of whom were personally interviewed, the study included a critical appraisal of these companies' approaches to management development.

To follow up this research, the author visited Canada and the United States for two months to compare the British and American approaches to the problems and practice of management development. In addition to visits to six large companies in Canada and 16 in the United States (in San Francisco, Chicago, Detroit, and New York), all of which employed more than 10,000 persons and 15 of which were manufacturing companies, this investigation included interviews with faculty members at a number of schools of business administration, with members of research societies, and with management consultants.

A review of British practice may well be of particular interest at this time, when a rethinking of the approach to management development is taking place in some companies in the United States. This article does not attempt to be a comprehensive comparison of management development in leading companies in the two countries; such a comparison would require much longer than the two months which were spent in North America. It does not, for instance, include a discussion on management training, both because that has been studied by many previous English visitors and because only a lengthy stay would reveal how much planned development

---

* *Management Succession.* Acton Society Trust, 39 Welbeck Street, London, W.1, England. 139 pp. $1.75. This study was financed by the Department of Scientific and Industrial Research–Medical Research Council Joint Committee on Human Relations in Industry.

was really taking place in the companies visited. Instead, this article is confined to impressions of some differences in other areas of management development that seem to be significant and a review of British approaches and techniques that could be of value to American companies.

DIFFERENCES IN APPROACH

The widespread publicity and promotion of formal management development programs in America has had both a good and a bad effect: it has fostered a genuine interest, but it has also encouraged a bandwagon approach. There is probably a greater awareness in American companies of the need to do something about management development (although this impression may be unduly optimistic, since only those companies in America that have a good reputation in the field were visited during this study). At the same time, however, there has been a tendency for the "fad" aspect of management development to lead to a demand for packaged programs and for such gimmicks as the elaborate, many-colored replacement chart. Some American companies are also suffering from the results of rushing into formal programs without adequate thought and preparation—perhaps because they felt a need to say, "Look, we are doing something about management development." One well-known large company, for instance, was reported to be starting its third post-war management development program, a much more flexible and informal one, because it found that its earlier programs, which were set forth in large and elaborate manuals, had not insured a supply of good managers.

The British companies that are actively concerned with management development have had a more cautious and less formalized approach. Admittedly, in Britain there has also been something of the bandwagon approach, particularly to external management training courses. In general, however, British companies have had a more empirical attitude to management development. There also seems to be a greater tendency in British companies to try a number of possible solutions to a problem, rather than to believing that there is only one answer. This may be observed, for instance, in the

approach of some British companies to talent-spotting, which they believe can only be done effectively by using a variety of different methods, such as assessments, internal advertising, organized talent-spotting by senior management, and interviewing of all employees in certain age groups. Many American companies, in contrast, tend to rely very heavily on assessments alone—hence almost exclusively on the views of the man's immediate superiors.

ORGANIZATION

American companies tend to attach much more importance to organizational analysis as part of a management development program. Hence, there is probably little or nothing that American companies can learn from British companies on the role of organization in management development, unless it is a more skeptical attitude to the value of elaborate job descriptions (which many British managers consider of limited value, since in many cases they rapidly become out of date). In general, there seems to be a greater skepticism in British companies concerning methods that involve a lot of paperwork.

RECRUITMENT AND SELECTION

There are some curious contrasts between British and American companies in the field of recruitment and selection. The main one is the much greater belief in and use of psychology in American companies. Yet, in spite of this, selection procedures may in some ways be superior in British companies, who seem to place greater emphasis on recruiting candidates of a high caliber. This is particularly marked in graduate recruitment. Although companies in both countries complain of the shortage of graduates, especially of engineers, and hence of the terrific competition for graduates, there seems to be a more "catch-as-catch-can" attitude towards graduate recruitment in the United States. It is, for instance, rare for graduates in England to be offered a job during a short interview at the university, and some British companies devote one or two days to an intensive selection process for their graduates. It is interesting that, whereas American companies consider that elaborate graduate selection would weaken their competitive recruitment posi-

tion, some British companies feel that, if selection is made difficult, graduates will feel that the company is a good one that values its employees highly, and will want to join it.

"Personality tests" are almost unknown in British companies, although intelligence and aptitude tests are used more frequently. British companies are not convinced of the value of personality tests. In this, they are probably influenced by the skepticism of many British psychologists concerning the validity of personality tests for industrial selection—a skepticism which, it should be pointed out, also exists among some American psychologists. It is usually felt in British companies that, insofar as personality characteristics are discoverable, more reliable results will be obtained from other methods, such as close contact with professors and teachers so that more accurate references can be obtained, group selection, and sometimes interviews with a psychologist, as well as a series of individual interviews with management.

A technique used in some of the British companies, but seldom if ever in American firms, is group selection. The purpose of this technique is to determine how a candidate reacts in a group situation with his peers, instead of seeing him solely as an individual being interviewed by his superiors. In British companies, it may be used to help with the selection of trainees, for filling foreman positions, and sometimes for more senior appointments. It is rarely considered suitable for specialist appointments. It is curious that none of the American companies visited during this study seemed interested in it as a possible selection method.

Internal advertising of vacancies is another selection method that seems much more common in British manufacturing companies than in American. In many British companies, a variety of junior posts are advertised internally, and in some companies this procedure is used for all posts up to and sometimes including departmental manager. The reasons given for employing the practice vary. In many British companies, there is great concern with insuring that employees realize that promotions are fair, and internal advertising is primarily supported because it is thought to be good for morale. There is a fairly widespread feeling among British employees that internal advertising helps to make for fairer selection, since it

provides an opportunity for a man to be judged by somebody other than his immediate superiors, who might be biased or unable to visualize him in any other setting than his current job. Some British companies have a formal or informal agreement with the trade unions or a staff committee that vacancies up to a certain level shall be advertised internally except when someone is obviously in line for the position. Another reason given by those British managements who favor internal advertising is that it sometimes brings to light unexpected ability, particularly at the first-line supervisory level, where it is hardest to know who has potential, or for such special posts as training manager, where the most seemingly unlikely people may be found to have the right qualifications.

APPRAISALS AND POST-APPRAISAL INTERVIEWS

Companies visited in the two countries differ most importantly in the use of appraisals and post-appraisal interviews. In most of the American companies, appraisals and post-appraisal interviews were described as the core of the management development program. Indeed, sometimes it seemed as though they *were* the program. In contrast, some of the British companies who are most concerned about management development have never used appraisals, or have abandoned them for a variety of reasons. Others may only use appraisals for special groups, such as trainees, junior staff, or those who are thought to have a high potential. Moreover, none of the British companies visited two years ago used post-appraisal interviews. One reason given was that their managers would not be capable of conducting such interviews. However, at least two of these companies are now planning to introduce post-appraisal interviews. It may be of interest that one of these companies is proposing to make assessments voluntary for the assessee, and to include self-assessment as well. This perhaps is illustrative of the experimental approach of some British companies.

Although many will take issue with the British underemphasis on appraisals, it highlights the tendency of some American companies to regard appraisals and post-appraisal interviews as the main answer to the problems of management development, instead of merely as a potentially useful but fallible tool. This emphasis

may mean that too little attention is paid to recruitment and selection—areas in which some American companies seem to be weak. It can also mean that the limitations of appraisals and the difficulties of conducting an effective post-appraisal interview may be underrated.

It is significant, for instance, that although so much importance is attached to appraisal programs, no adequate research has been done into their effectiveness. Research, so far, has been limited to technical and minor aspects of appraisal, such as determining the most reliable method of rating. It has ignored the more vital questions, such as:

Do appraisals based on personality characteristics indicate the whole man, or merely a few characteristics that may give a misleading impression?

What are the relative advantages of group appraisals and individual appraisals; for instance, what seems to be their effect on the degree of genuine management participation?

Are appraisals an adequate method of spotting talent, or do they need to be supplemented in some way?

How many managers are capable of conducting an effective post-appraisal interview?

Can this capacity be improved, and, if so, how?

Is there a danger that, in spite of warnings to the contrary, post-appraisal interviews may have a negative bias?

Is there a danger that appraisals may be used by management as a weapon rather than a tool?

Does there seem to be any connection between the appraisal program on the one hand and development on the other? For instance, how many managers really follow up the post-appraisal interviews by individual coaching? If they do, has behavior and performance improved since the program was introduced?

What are the reactions of managers to an appraisal program? What kind of resistances may be encountered, and how can they be overcome?

Is there any danger that an appraisal program may discourage the truly permissive attitude in which creative work is done, by fostering an overly self-conscious attitude in the employee?

Unless we know the answers to at least some of these questions—and the answers may well vary from one company to another, depending, for instance, upon the caliber of managers and whether the leadership tends to be democratic or authoritarian—we can know little about the effectiveness or the effects of an appraisal program.

EVALUATING RESULTS

Both in Britain and the United States, there is a need for greater knowledge about the effectiveness of various methods of management development. Much of what has been written on the subject ignores the fact that any planned activity should be examined from three angles: what is *supposed* to happen, what people *think* is happening, and finally what *is* happening. Although considerable time and money is being spent on management development, little is known about what is actually being accomplished, and many companies seem to be relying on faith that certain activities must produce good results.

It may not be possible to evaluate the results of any program with complete accuracy, but we should at least remember that what is happening may be very different from what is supposed to happen. Critical appraisal of the effectiveness of a management development program is a much less comfortable process than complacent acceptance of the program's supposed value, but it is potentially much more useful.

Company Public Relations—Who Does the Job?

THE MOST POPULAR METHOD of handling company public relations is to keep it entirely within the firm with no outside help of any kind, according to a recent *Tide* survey of advertising executives from 1,100 companies. This procedure is favored by 42 per cent of the companies, while the next largest group (20 per cent) use their advertising agencies' PR departments to supplement the work of their own staffs. Of the remaining 22 per cent with their own PR staffs, half call on independent public relations firms for supplementary work and the rest use both independent firms and their advertising agencies. A small minority (16 per cent) have no departments of their own, preferring to farm out all public relations work to their advertising agencies, independent firms, or both.

The Anatomy of Business Leadership

■ ***Frederick G. Macarow***

Vice President
The Chesapeake and Potomac Telephone Cos.

IN THE PAST SEVERAL YEARS, this country has witnessed a great wave of interest in the training of management people, particularly middle management and top line executives. This training is now assuming increasing importance. We have come through periods of great change in recent years, and we stand upon the threshold of periods of still greater change.

The development of powerful machinery and equipment has added a thousandfold to the strength of man's muscles and the length of his arms; consider, for example, the amount of work one man can accomplish today with a tremendous piece of earthmoving machinery or a power press. Moreover, man's mental activity has been supplemented ten thousandfold by the use of such devices as the electronic computer and data-processing machinery. An electronic computer can now accomplish in minutes what would take many man-years to accomplish by more prosaic methods.

We can scarcely envisage the radical changes and developments that will soon have an impact upon our existence. Experiments with the application of atomic power are moving forward with great

---

This article is based on a presentation made by Mr. Macarow before Unit I of the AMA Management Course.

rapidity, and new sources of energy will open even broader horizons of opportunity. Great as have been the changes in the past ten years, they will be dwarfed in the years just ahead of us. With this rapidly changing tide of human events, management must move faster in preparing for the job ahead.

Executive action is peculiarly the same, whether the organization be church, state, business, social, or family, and whether the product be automobiles, wheat, visas, or public utility services. Every enterprise, every organized effort requires order, managerial technique, and leadership. A few men may be naturally gifted as leaders, but everyone can benefit from training—from a systematic program of developing the qualities of leadership essential to good management and to the effective direction and coordination of the efforts of subordinates.

Leadership is a skill that can be imparted and passed on. Most individuals can acquire it, if they are willing to devote the necessary time and effort to do so.

THE EXECUTIVE TASK

The value of the executive depends not upon his personal work production, but upon the production he is able to obtain from those under his supervision and the influence he is able to exert upon those with whom he comes in contact. Executive qualifications may be divided roughly into three general classifications:

1. *Ability to analyze and arrive at satisfactory conclusions.* First, the executive must have the ability to analyze a problem, a situation, or a set of circumstances and arrive at a reasonably satisfactory conclusion. The higher he stands in the hierarchy of management, the more important does this qualification become, because it is at the top levels that the most important and far-reaching decisions are made, beginning with the first fundamental decision as to the objectives of the undertaking.

2. The second qualification is the *ability to set up a proper organization,* including not only organization structure but the selection and assignment of individuals to fill that organization. This qualification also is more important at the higher levels of management, because that is where organization structure is usually determined

and where final selection of individuals to staff the organization is customarily made.

3. The third qualification is the *ability to make the organization function.* To transmit through the organization the objectives, ideals, and decisions of higher management, to get those objectives and decisions accepted, and to get all members of the organization working effectively toward their consummation and the production of results is the key to the success of the undertaking. This qualification is the greatest test of management today—a "must" at all levels in the management team.

Leadership is interested in how people can be brought together to work together for a common end, effectively and happily. There is a difference between command and leadership. Commanders direct organizations and, in so doing, subordinate individuals in working toward organized ends; leaders guide and develop individuals so that they may better share in realizing group accomplishments.

We might use this as a workable definition of leadership: "Leadership is the activity of influencing people to cooperate toward some goal which they come to find desirable." Even with good organization, we can never achieve the strongest group cooperation unless someone makes it all appealing. Someone must make the group loyal to the purpose. Someone must be able to show people how they are benefited by joining and how they are benefited by the purpose. That someone is the leader.

QUALIFICATIONS FOR LEADERSHIP

All the qualities and characteristics of effective executives can be placed in a framework of eight basic qualifications of leadership.

1. *Inspiring confidence in people.* To be a leader, one must have the confidence of the people he is to lead. To inspire confidence embraces a number of things on the part of the leader. The first necessity is a competent knowledge of the technical tools and processes with which his followers work so that he can instruct and develop them in their use. This does not mean, however, that a leader himself must be an expert.

Knowledge and understanding of the broad policies of the undertaking in which he is a leader are also necessary. People will not

long have confidence in the leader who cannot answer questions of policy in which they are interested. Neither will they have confidence if the leader bluffs through his answers, because bluffing or lack of sincerity cannot long remain a secret.

The leader must also have a reputation for keeping his word. Promises must be kept if confidence is to be established.

Finally, the leader must exercise good judgment in all matters, both business and personal. The leader who believes he can exercise good judgment in business affairs while at the same time refusing to exercise it in his personal affairs will not long remain a leader.

2. *Persistence in driving toward the goal.* The leader must believe firmly in what he is striving to accomplish. He must have the persistence and perseverance to look for methods to attain the goal, trying one after another if necessary until the right one is reached.

3. *Ability to communicate without misunderstanding.* The leader must have the ability to explain the goal to others and make it appealing to them. This does not mean that he must be a persuasive orator or a skilled writer, nor that he must have a particular degree of education. It is an ability that can be acquired. It is important to realize the difficulties of communication and to guard against the mistakes of the listener. Unless the leader can say what he means, there will be misunderstanding.

4. *Willingness to listen receptively.* This attribute often distinguishes the leader from the commander. There is a difference between listening with a closed mind and listening with a sincere desire to understand and to make the best use of the other person's point of view.

5. *Genuine interest in people.* A leader must have a genuine interest in the welfare of those under his leadership. Such an interest cannot be simulated or put on like a cloak; a lack of genuineness will sooner or later betray itself.

6. *Understanding people and their reactions.* A leader must understand people and why they act as they do—people as individuals and people as groups. Some people have this faculty intuitively. Others must acquire it. It is essential to understand that what the individual thinks, says and does is the product of many different forces working upon him. In this connection, an observation made

by Dorwin Cartwright will bear some consideration: "I have become convinced that no small part of our trouble in dealing with people has resulted from an irresistible tendency to conceive of our problems in terms of the individual, when some larger unit would have been more appropriate."

7. *Objectivity*. A leader must be careful to be objective and not let the sentiments of other people react upon his own. This is a tough assignment. One way he can practice objectivity is to ask himself, "Why? Why does he say this, and why does he feel the way he does?"

8. *Forthrightness*. A leader must be forthright. He cannot let people wonder what he is thinking. He cannot let it be said of him, "He always plays his cards close to his chest."

Nearly everything that has been said or written on the subject of leadership can be fitted into the framework of these eight qualifications. For example, here are some frequently mentioned attributes of a manager or leader that certainly fit into the first qualification—that of "inspiring confidence in people": integrity; dependability; fairness; freedom from the habit of worry; generosity and fairness to all; self-confidence and self-assurance; a sense of fair play.

Similarly, we could go through a countless list of attributes and find that they fit into the broad framework.

THE TOOLS OF LEADERSHIP

The tools of leadership are as simple and as basic to the profession of leadership as the wheel is to our modern civilization. These tools must be part of the kit of every manager. They are neither complicated nor difficult to use—but it may be necessary to polish them up and practice them, because many of them have been lying idle too long.

1. *Close and frequent contacts with people*. There is a type of executive who would rather write a note to a subordinate in the next office than get out of his chair and stroll in for a discussion. This executive does not understand that the very act of discussion—the interchange of conversation—will not only serve better in getting across his idea but, through giving the opportunity of rebuttal, will enable him either to sell his idea better or change it if

he is wrong. Further, this personal contact serves to cement the essential cooperative relationship.

The leader should take advantage of every opportunity for establishing and maintaining friendly relationships with his subordinates. It is surprising how many opportunities most of us deliberately avoid if we are not careful.

2. *Keep all interested parties informed.* The leader can forge a tremendously effective tool to win the cooperation of his group by taking advantage of the opening to their minds that natural curiosity offers. He will grow in stature with his group as he purposefully sets out to keep them all informed about what is going on and how it affects them. Furthermore, he will thus minimize the problem of others spreading misinformation to his people.

There are many ways in which this tool can be put to use, including individual discussions, group meetings, and bulletins and advices. The leader should seek out these opportunities and take advantage of them.

3. *Assure that all employees receive fair, impartial, and considerate treatment.* No one will argue about the necessity of this particular tool, but unless a conscious effort is made to use it, it is surprising how quickly it becomes rusty. Among other things, its use involves granting reasonable requests, making proper use of commendations, taking prompt action on all requests, and assuring proper operation of any grievance procedure.

4. *Know what is going on.* How often is an individual faced with circumstances that he thought "could never happen here"?

"In my department, we take pride in keeping in constant touch with the people who are ill." That statement was made by a department head who thought he knew what was going on. Actually, the only contact that was being made between the company and the employees in the hospital was a mimeographed note from a clerk forwarding benefit checks in a routine manner. This leader's remark was not a willful misstatement or an endeavor to deceive; he just did not know what was going on.

5. *Assume full responsibility of running your job.* There are facets of every responsible job that are easier to ignore than to cope with. They range all the way from merely annoying tasks to down-

right distasteful ones. The neglect of such things in a single instance may do no great harm, but neglect becomes a habit and the results of continued neglect are cumulative. It does not take too long for members of an organization to size up their leader. Once they have come to the conclusion that he is unwilling to face up to his total job, his prestige may well drop to a level from which it is difficult to rebuild.

6. *Talking to people.* Actually, this is the handle needed to make use of all the other tools, because "talking to people" is essential if we are to maintain close and frequent contacts with people; keep all interested parties informed; assume that all employees receive fair, impartial, and considerate treatment; know what is going on; and assume full responsibility for running the job.

But it is essential to regard it as a separate tool in order to appreciate its importance. The proper use of this tool will enable you to understand people, help them, and make them enthusiastic members of your team.

These six tools could easily be listed on a single sheet of manuscript, but each could be made the subject of lengthy discussion and consideration.

THE IMPORTANCE OF TEAMWORK

One other quality closely akin to leadership is teamwork. It is not necessarily true that if we have good leadership we also have teamwork. There is a distinction.

Teamwork cannot exist without leadership, but leadership can exist without team play. As a matter of fact, strong leadership can disrupt team play if the necessity of complementing one with the other is not thoroughly understood.

Leadership must be coupled with teamwork if the purposes of a large organization are to be secured. Fortunately, in business it is not necessary that the action of every part of the team be knit together with the same precision that is required in the playing of an orchestra, for example. There is plenty of room for individual initiative on the part of the several leaders that make up every team. There is even room to feel our way by the trial-and-error method.

But everyone experienced in leadership knows that many times, in the interest of teamwork, it is necessary for him to subordinate his own personal desires to the interest of the team. He may be anxious to get started in a particular direction but, if the team is not yet ready, he must restrain himself. Although the team may need his support today, he knows that tomorrow the shoe may be on the other foot and he will need their support.

The man who is filling a position of responsibility knows that he must give his subordinates the maximum leeway possible in determining their own method of approach, because that in itself develops their leadership ability. But he must also be sure that when he, as the leader, decides that it is necessary to use a particular method of approach, he can depend on his subordinates to pull as a team without hesitation.

This does not mean that there is a conflict between leadership and teamwork; on the contrary, the two points of view need not be antagonistic. An executive's success as a leader depends in a great measure on his success in developing the leaders under him upon whom he must rely. This becomes more and more important as he goes up through the chain of leadership and consequently becomes further insulated from the thinking and the feelings of the workers and the first-level leaders.

There is no question that the first-level leader knows the workers and the local situation and is usually in the best position to make the right decision from the point of view of the needs of his particular group. There is also no question that the leader at the upper end of the chain is in the best position to know how a particular decision will affect other groups in the organization or other broad matters that he has under consideration. In addition, he knows how the same situation has been handled in other places and what the results were. He is thus in the best position to make the right decision from these wider aspects.

When the decision is the right decision from both points of view, there is no conflict of opinion. But when a different decision is indicated when the matter is looked at from the two points of view, the qualities of leadership and team play meet their sternest test. The right decision may be either one or the other—or it may be a

compromise. But the only way to insure the right decision in this kind of a situation is for the higher leader to have a thorough understanding of what effect the decision will have at the lower levels, and for the lower-level manager to have the same thorough understanding of the broad implications that the decision has at higher levels of management.

This thorough understanding can only be accomplished by a comprehensive interflow of communication and consultation. There must be mutual respect and consideration. Higher-level leaders must aggressively and consistently undertake to keep those at lower levels as completely informed as possible of the problems of the business, and must as consistently consult with lower-level leaders before reaching decisions that may have substantial effect on the lower levels.

Lower-level leaders must be completely frank in acquainting their superiors of their opinions and feelings. This will not occur unless the higher leader is imbued with the qualification of "receptive listening."

Under this sort of handling, in most cases, the right answer will become obvious and will be accepted by both levels. In instances where the lower-level leader is not convinced, of course, the higher-level leader's decision must prevail; but even here, there will be a more complete understanding. The leader whose conviction was not accepted will know it had thorough consideration, and the respect and confidence of the superior for his subordinate will certainly be enhanced by the display of teamwork that follows.

CONCLUSION

The job of an executive is not a lazy man's job. It requires constant application throughout his career. The leader is important in his job, not because of his own production, but only as he leads people toward the accomplishment of their objectives—objectives that must be channeled toward an over-all, planned result.

Whether we call this ability administration, leadership, or management, it is one of our country's scarcest commodities and, at the same time, a commodity that will be needed in increasingly greater amounts to meet the demands of our changing times.

cago

hands
ng an
argin

anies
biliz-
te in
recise

will
etter
ering
will
own

w to

NC.
Y.